

City of Rockville

Analysis of Investment Performance
through June 30, 2007



George Kiriakos
Vice President

September 2007



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September 07, 2007

Board of Trustees
City of Rockville
111 Maryland Avenue
Rockville, MD 20854

Dear Board of Trustees:

This report presents our updated analysis of the City of Rockville's investment performance and traces the growth of assets through June 30, 2007. It is based on data provided to us by your custodian and the various investment managers. The report illustrates the investment performance of the overall Fund and also shows results by asset class and by individual manager in comparison with the various performance benchmarks defined in the Fund's statement of guidelines and objectives.

We hope you find this report useful as a tool for monitoring the performance of the Fund as well as a basis for discussion of the investment issues surrounding the investment program. We look forward to reviewing this report with you and answering any questions you may have.

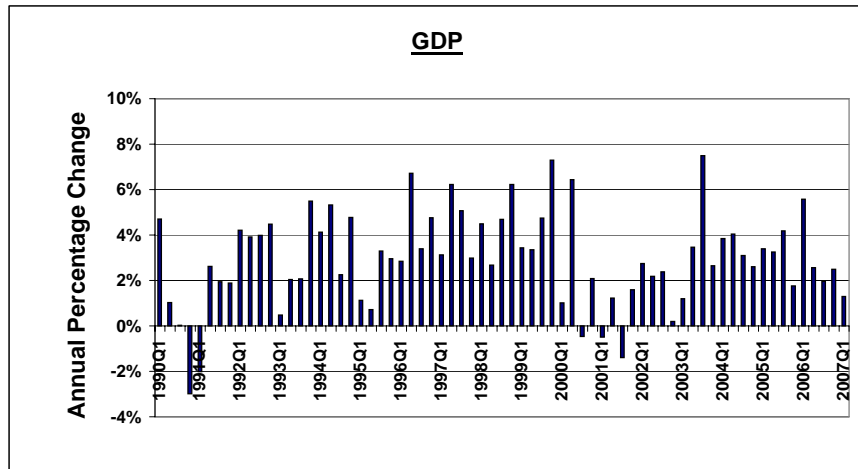
Sincerely,

George Kiriakos
Vice President

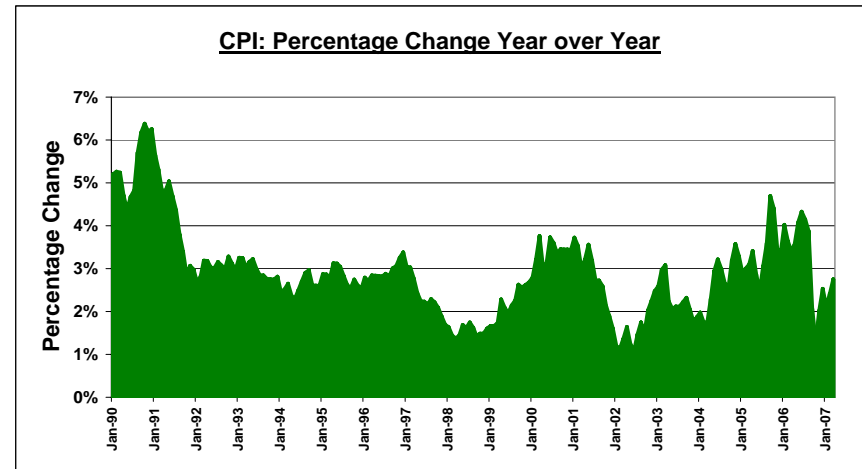
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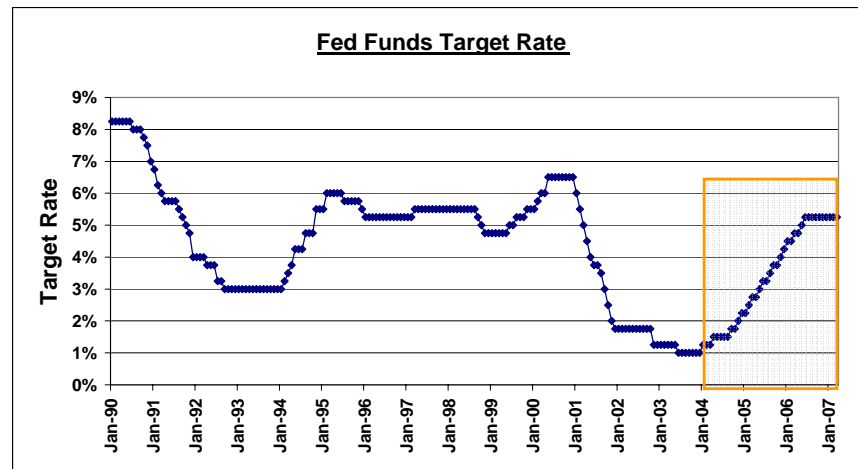
Macroeconomic Themes



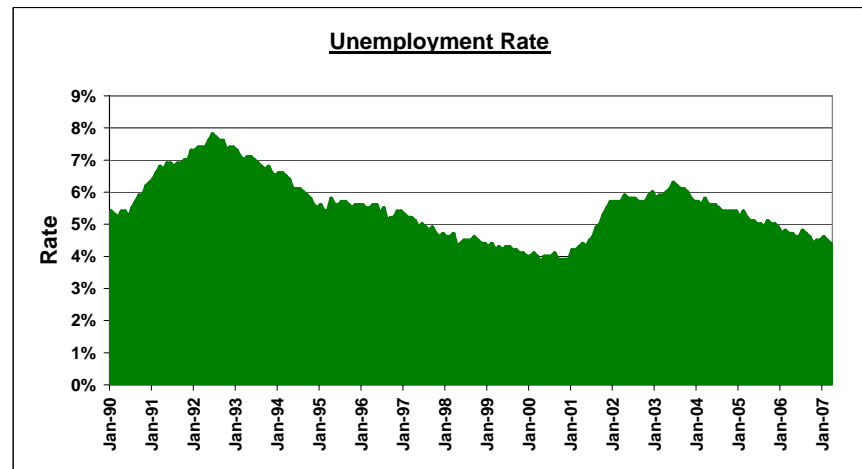
- Q1 GDP slowed to a 1.3% annualized rate, down from 2.5% in Q4 of 2006. This is below consensus expectations. The weakening was due to a worsening in trade and reduced federal government spending. Housing continued to weigh on growth.
- The decline in exports paired with increased imports, slower growth in consumer spending and decrease in federal spending led to the weakening in growth.
- Home construction has fallen for the last six quarters and is now down 17% from its peak.



- A large increase in energy prices led to stronger topline inflation; energy prices have risen an annualized 23% during the first three months of 2007.
- On a year ago basis, core CPI, which excludes food and energy, slowed to 2.5%. March saw the slowest monthly core inflation since June 2005.
- Both overall and core inflation were below consensus expectations for March.

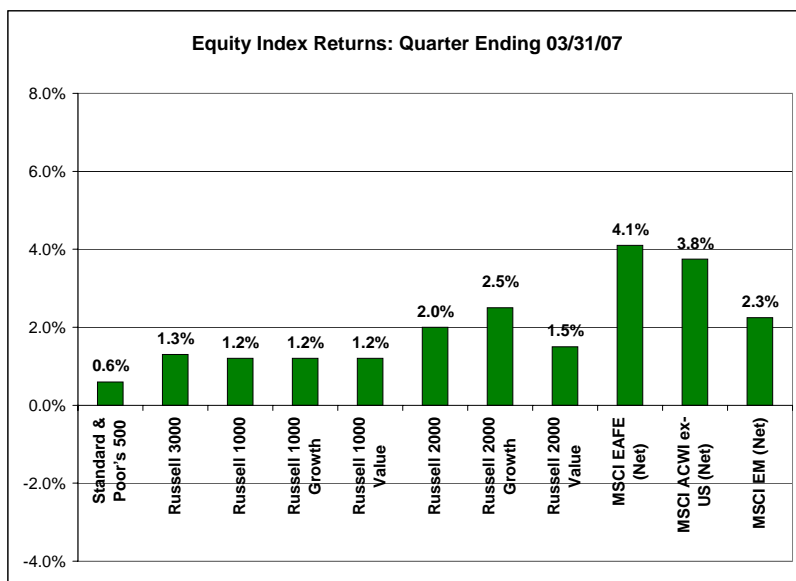


- For the sixth straight meeting, the FOMC held the fed funds rate steady at 5.25%. The committee noted "recent economic indicators have been mixed", in particular noting the housing market. The Fed removed its tightening bias, which had been in place since 2006. The statement said "the Committee's predominant policy concern remains the risk that inflation will fail to moderate as expected."
- The committee had raised the fed funds rate 25 basis points at 17 consecutive meetings, with the policy rate increasing from 1% to 5.25% from June '04 to June '06.



- The unemployment rate declined slightly to 4.4%, as payroll employment increased more than expected. Average monthly gains during Q1 2007 were roughly 152,000, which implies a healthy pace of growth.
- Hourly earnings increased to \$17.22 in March; over the year, earnings are up by 4%.
- The workweek, manufacturing workweek and manufacturing overtime all increased during the quarter.

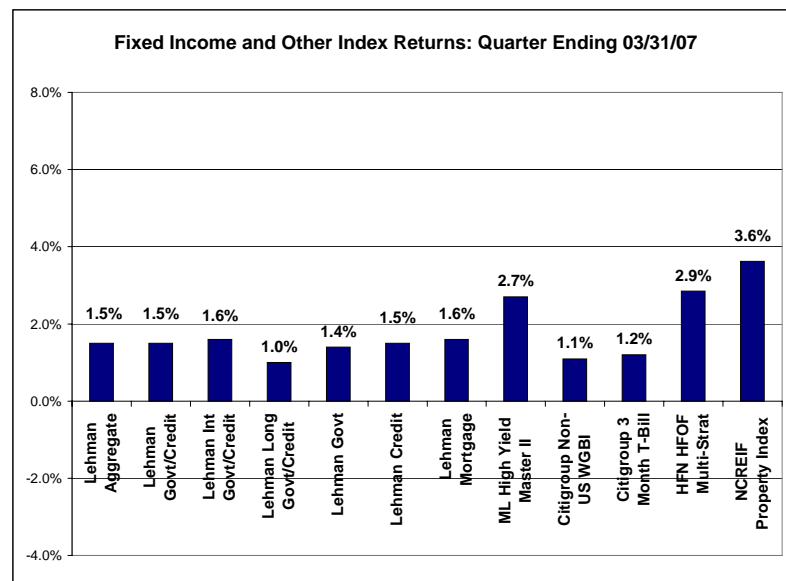
Selected Equity and Fixed Income Index Rates of Return for Periods Ended March 31, 2007



Equity Indices

	Quarter	YTD	1-year	3-year	5-year	10-year
Standard & Poor's 500	0.6%	0.6	11.8	10.1	6.3	8.2
Russell 3000	1.3%	1.3	11.3	10.8	7.2	8.7
Russell 1000	1.2%	1.2	11.8	10.7	6.9	8.6
Russell 1000 Growth	1.2%	1.2	7.1	7.0	3.5	5.5
Russell 1000 Value	1.2%	1.2	16.8	14.4	10.3	10.9
Russell 2000	2.0%	2.0	5.9	12.0	10.9	10.2
Russell 2000 Growth	2.5%	2.5	1.6	9.4	7.9	6.3
Russell 2000 Value	1.5%	1.5	10.4	14.5	13.6	13.5
MSCI EAFE (Net)	4.1%	4.1	20.2	19.8	15.8	8.3
MSCI ACWI ex-US (Net)	3.8%	3.8	19.8	20.9	16.9	9.0*
MSCI EM (Net)	2.3%	2.3	20.6	27.5	24.5	8.8*

*For 10-year performance, Gross returns are provided.

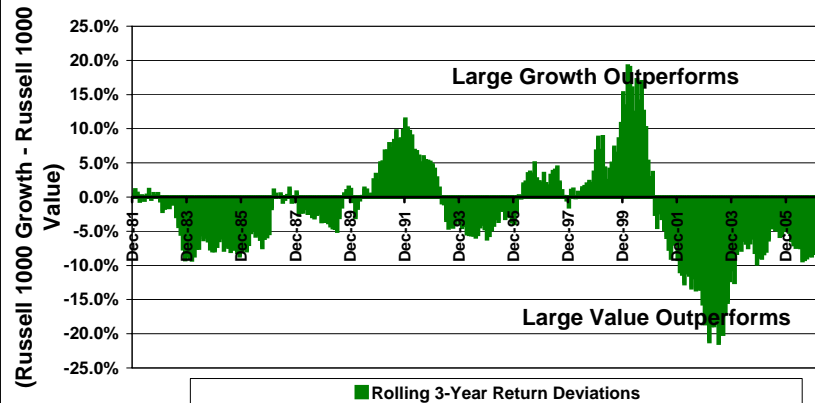


Fixed Income Indices

	Quarter	YTD	1-year	3-year	5-year	10-year
Lehman Aggregate	1.5%	1.5	6.6	3.3	5.4	6.5
Lehman Govt/Credit	1.5%	1.5	6.4	2.9	5.6	6.5
Lehman Int Govt/Credit	1.6%	1.6	6.1	2.6	4.9	6.0
Lehman Long Govt/Credit	1.0%	1.0	7.4	4.1	7.9	8.1
Lehman Govt	1.4%	1.4	5.9	2.7	5.1	6.2
Lehman Credit	1.5%	1.5	7.1	3.2	6.3	6.8
Lehman Mortgage	1.6%	1.6	7.0	4.1	5.0	6.3
ML High Yield Master II	2.7%	2.7	11.6	8.6	10.1	6.8
Citigroup Non-US WGBI	1.1%	1.1	8.3	2.7	10.2	5.4
Citigroup 3 Month T-Bill	1.2%	1.2	5.0	3.3	2.5	3.7
<u>Other Indices</u>						
HFN HFOF Multi-Strat	2.9%	2.9	7.6	7.7	8.0	10.0
NCREIF Property Index	3.6%	3.6	16.6	17.4	13.7	12.9

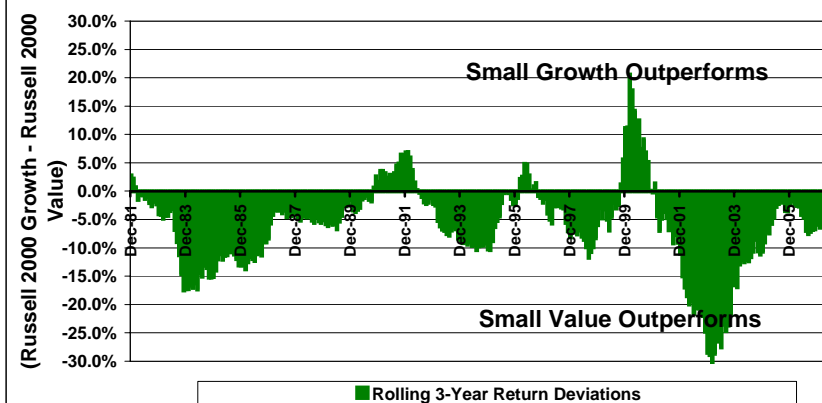
Equity Themes

Equity Style Cycle: Rolling Returns Analysis



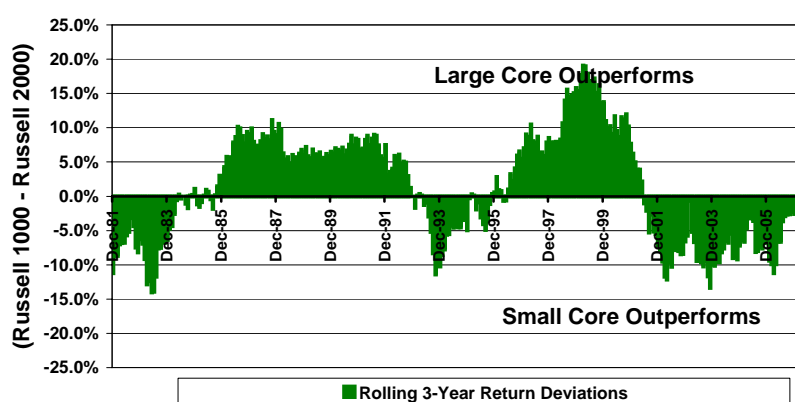
- Index Inception (i.e., January 1979): R1000V: **14.5%**; R1000G: **11.8%** (+268 bps)
- The R1000V has outperformed the R1000G in 8 of last 10 calendar years, including the last 7 in a row.

Equity Style Cycle: Rolling Returns Analysis



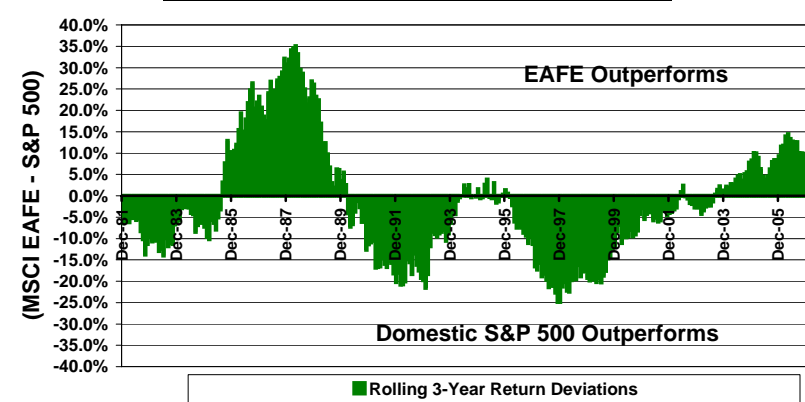
- Index Inception (i.e., January 1979): R2000V: **15.8%**; R2000G: **10.3%** (+551 bps)
- The R2000V has outperformed the R2000G in 7 of last 10 calendar years, including 6 of the last 7.

Equity Market Cap Cycle: Rolling Returns Analysis



- Index Inception (i.e., January 1979): R1000: **13.3%**; R2000: **13.4%** (-10 bps)
- The R2000 has outperformed the R1000 in 7 of last 8 calendar years.

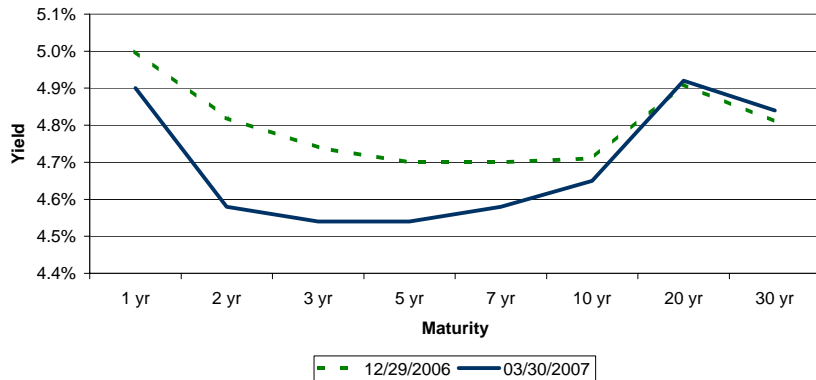
Equity Country Cycle: Rolling Returns Analysis



- Index Inception (i.e., January 1979): S&P 500: **13.4%**; EAFE: **11.4%** (+194 bps)
- The EAFE has outperformed the S&P 500 in 6 of last 10 calendar years, including the last 5 in a row.

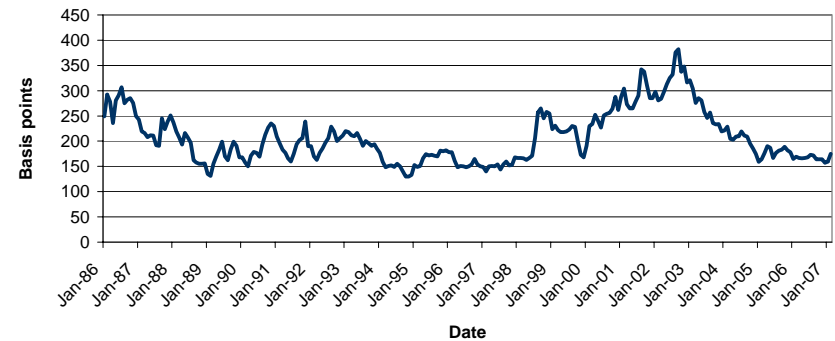
Fixed Income Themes

Treasury Yield Curve



- The yield curve steepened in the first quarter, as 2-year Treasury yields fell 24 basis points while 30-year Treasury yields rose 3 basis points.
- In February, there were concerns that weakness in the sub-prime mortgage market would spread to the rest of the economy and cause the Fed to lower interest rates to fight off a potential recession. This trend continued in March.

**Moody's Corporate-Treasury Bond Spread
Baa 10-Yr Constant Maturities**



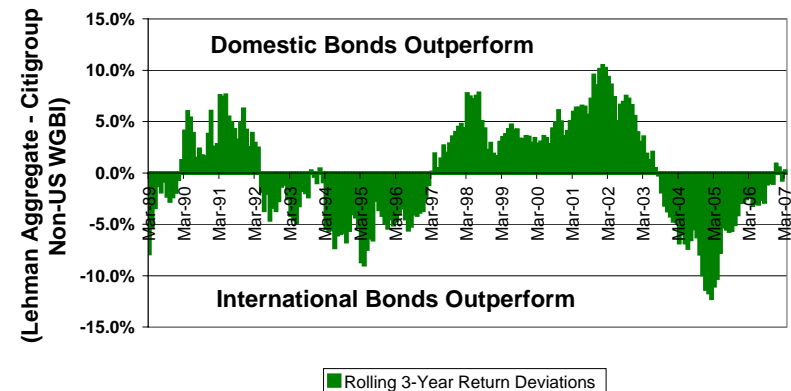
- Credit spreads continue to remain near 10 year lows.
- After tightening in January, credit spreads widened in February and March by 18 basis points due to concerns over the subprime market and a general slowdown in the economy.
- For the quarter, credit spreads widened by 11 basis points.

**Interest Rate Trends
Moody's AAA Seasoned**



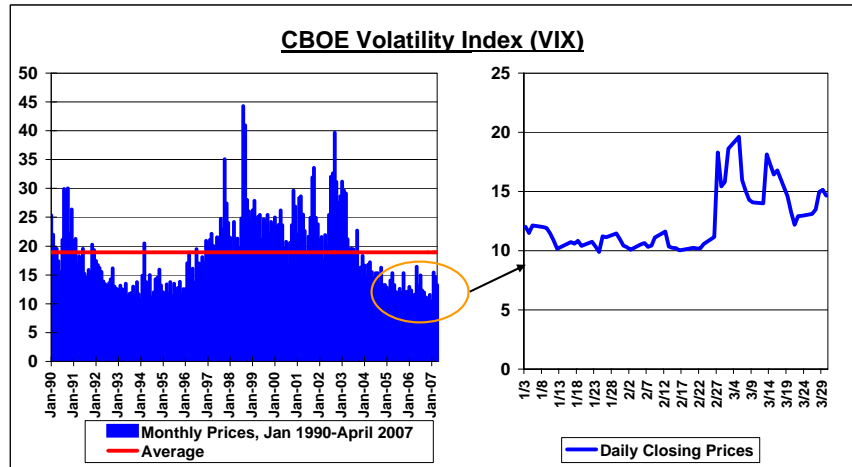
- The declining interest rate environment over the past decade has fueled fixed income returns.
- Corporate bond yields ended the quarter 3 basis points lower, at 5.43%.

Fixed Income Cycle: Rolling Returns Analysis

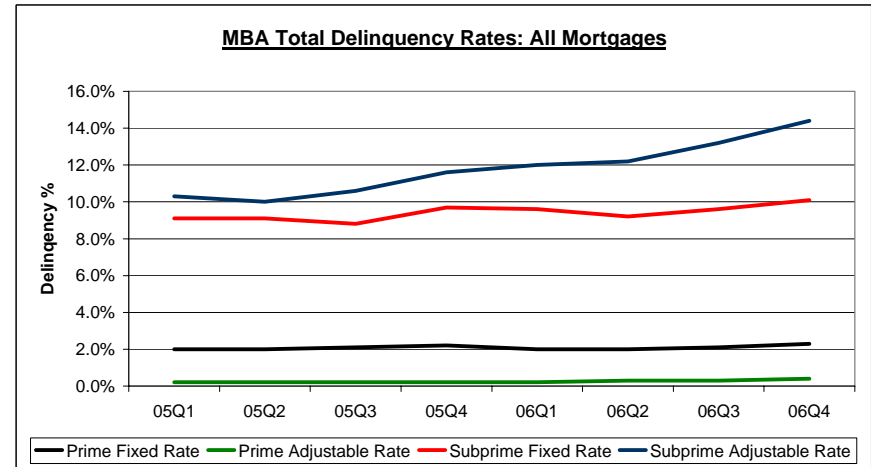


- Although international bonds have outperformed domestic bonds over the most recent 3-year rolling periods, domestic bonds have provided superior longer term returns. Over the past 10 years, the Lehman Aggregate has returned 87% on a cumulative basis, versus the Non-US WGBI cumulative return of 70%.

Themes of the First Quarter



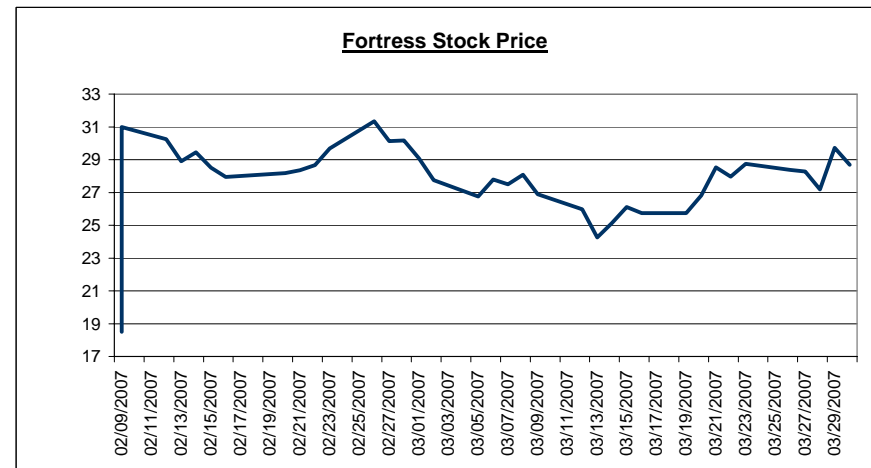
- Volatility increased significantly and quickly in late February following the decline in Chinese equities, which spilled over to markets across the globe. As markets recovered, the VIX has declined to lower levels and is still considered low by historical standards.



- Relaxed credit standards from lenders, combined with a slowdown in home price appreciation, have led to increasing defaults of subprime loans.
- A rash of defaults in the first quarter eventually forced leading subprime lender New Century to file for bankruptcy in the beginning of April and raised fears that credit problems would spread to other parts of the mortgage market.



- On February 27, 2007, the Chinese equity markets experienced their largest one-day drop in over 10 years. This sell off was widely publicized in the media and also contributed to a 3.3% sell off in the US markets, as measured by the DJIA.
- Despite its size, the plunge only erased gains accumulated over the previous six trading days and the equity market quickly recovered. The DJ China TMI rose 44% during Q1 2007 and 135% for the year ending 3/30/2007.



- Fortress became the first major hedge fund and private equity firm to go public. Investor sentiment was high, as shares jumped from an IPO price of \$18.50 to \$31 on the first day of trading.
- Shortly after, Blackstone, a large private equity firm announced its intention to IPO 10% of the company, and more private equity firms are expected to follow.

Investment Manager Roster

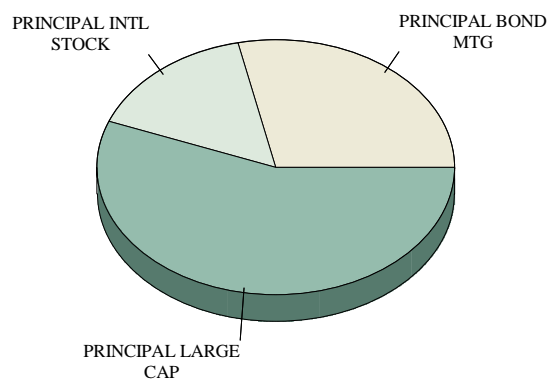
Investment Manager	Mandate	Benchmark	Inception Date
Principal	Large Cap	S&P 500	12/31/1994
Principal	International Core	MSCI Net EAFE	12/31/1994
Principal	Fixed Income Core	Lehman Aggregate Bond Index	12/31/1994

Asset Allocation Policy

Asset Class	Minimum	Target	Maximum
Domestic Equity	45%	50%	55%
International Core	10%	15%	20%
Fixed Income Core	30%	35%	40%

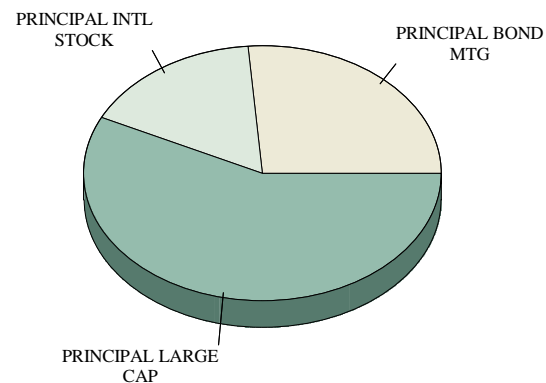
COMPOSITE MANAGER ASSET ALLOCATION

TOTAL MARKET VALUE
ON MARCH 31, 2007
\$62,945,513



	Value	Percent
PRINCIPAL LARGE CAP	35,184,113	55.90
PRINCIPAL BOND MTG	17,872,794	28.39
PRINCIPAL INTL STOCK	9,888,606	15.71

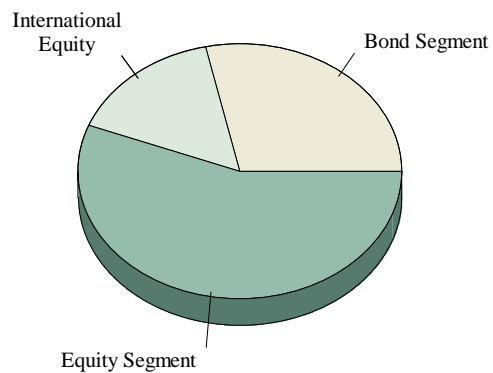
TOTAL MARKET VALUE
ON JUNE 30, 2007
\$65,432,299



	Value	Percent
PRINCIPAL LARGE CAP	37,445,405	57.23
PRINCIPAL BOND MTG	17,203,813	26.29
PRINCIPAL INTL STOCK	10,783,081	16.48

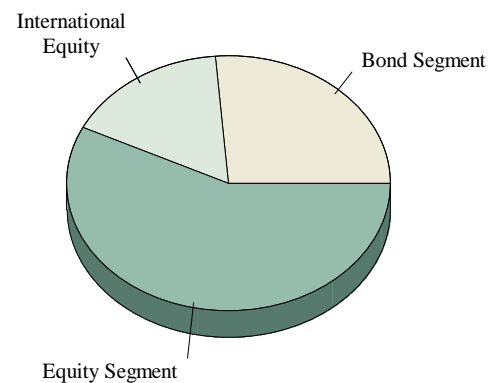
COMPOSITE ASSET ALLOCATION

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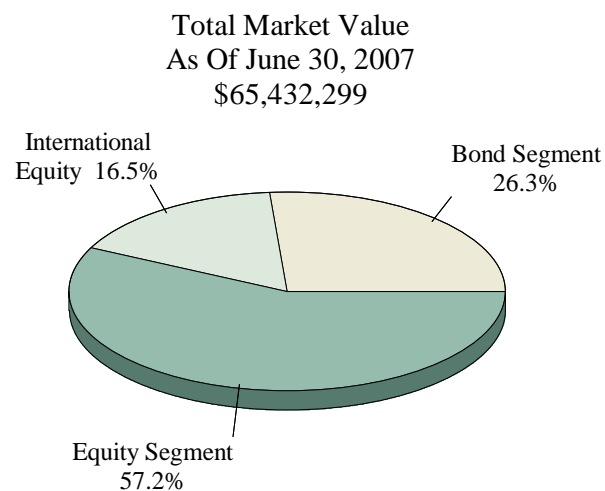
Profile

COMPOSITE	
Benchmark:	POLICY INDEX
Inception Date:	December 31, 2001

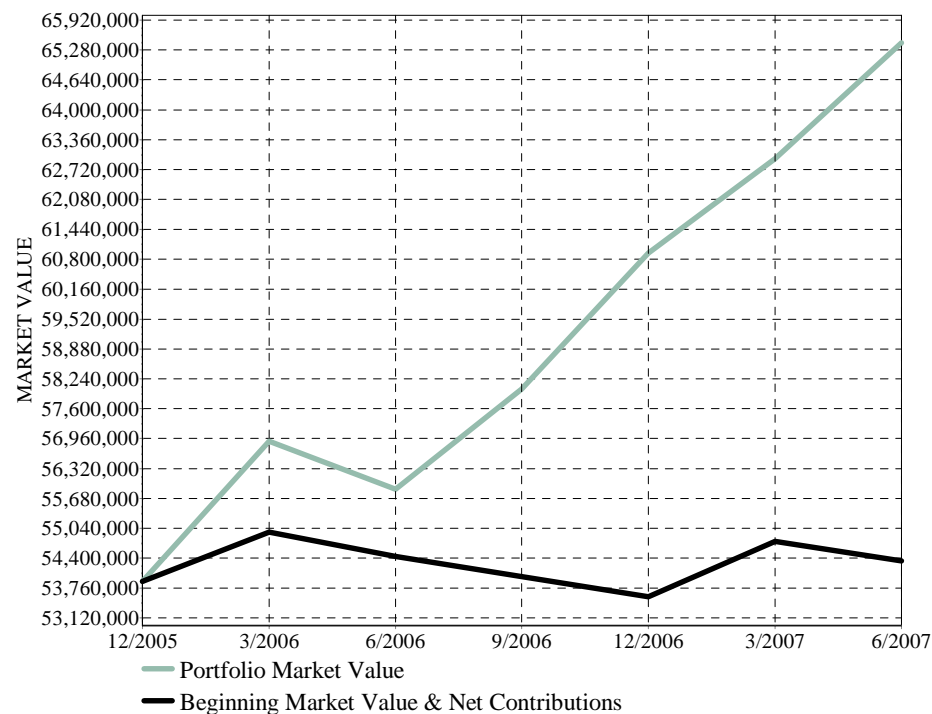
Account Reconciliation

Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	62,945,513	60,929,022	53,896,652
Net Flows	-424,423	763,820	439,614
Investment G/L	2,911,209	3,739,457	11,096,033
Ending Value	65,432,299	65,432,299	65,432,299

Asset Allocation



Source Of Portfolio Growth

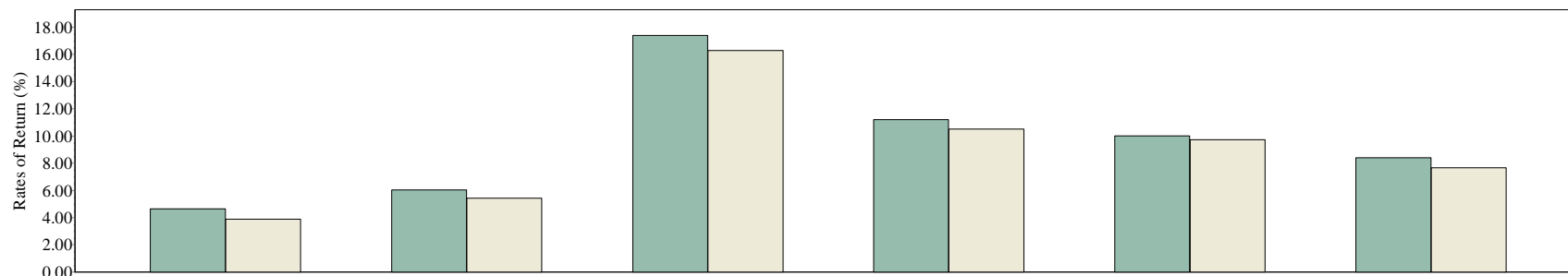


**COMPOSITE
PERFORMANCE SUMMARY**

	Qtr	Ytd	1 Yr	3 Yr	5 Yr	Incept	Market Value	% of Assets
COMPOSITE	4.65	6.07	17.41	11.22	10.02	8.42	\$65,432,299	
POLICY INDEX	3.90	5.43	16.30	10.53	9.73	7.67		
PRINCIPAL LARGE CAP	6.20	6.84	20.27	11.52	10.58	-	\$37,445,405	57.23%
S&P 500	6.28	6.96	20.59	11.67	10.71	-		
Universe Median	6.32	7.51	20.13	12.51	11.41	-		
Quartile Ranking	55	68	48	65	67	-		
PRINCIPAL INTL STOCK	8.88	12.81	29.10	28.82	21.03	-	\$10,783,081	16.48%
MSCI NET EAFE	6.40	10.74	27.00	22.24	17.73	-		
Universe Median	7.90	12.20	30.00	24.85	20.07	-		
Quartile Ranking	36	42	56	29	42	-		
PRINCIPAL BOND MTG	-0.86	0.74	6.29	4.53	5.29	-	\$17,203,813	26.29%
LB AGGREGATE BOND	-0.52	0.97	6.11	3.98	4.48	-		
Universe Median	-0.43	1.15	6.07	4.08	4.65	-		
Quartile Ranking	99	95	28	9	6	-		

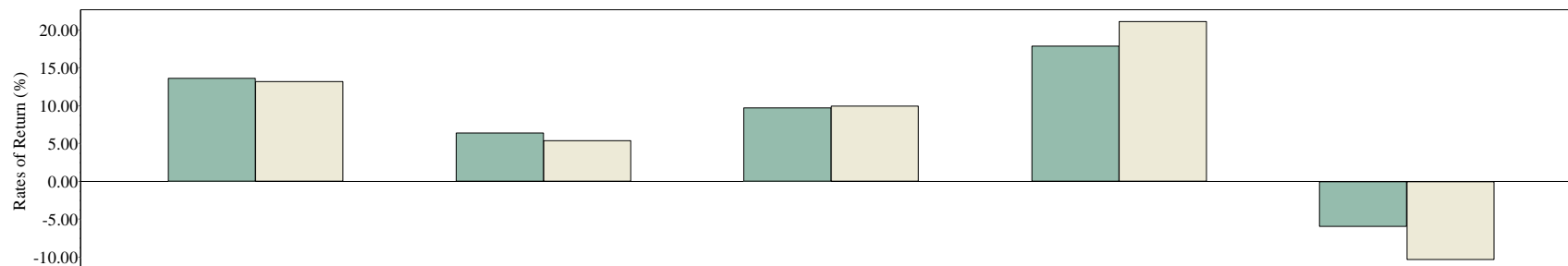
COMPOSITE - TOTAL FUND
12/2001 Through 6/2007

Trailing Returns



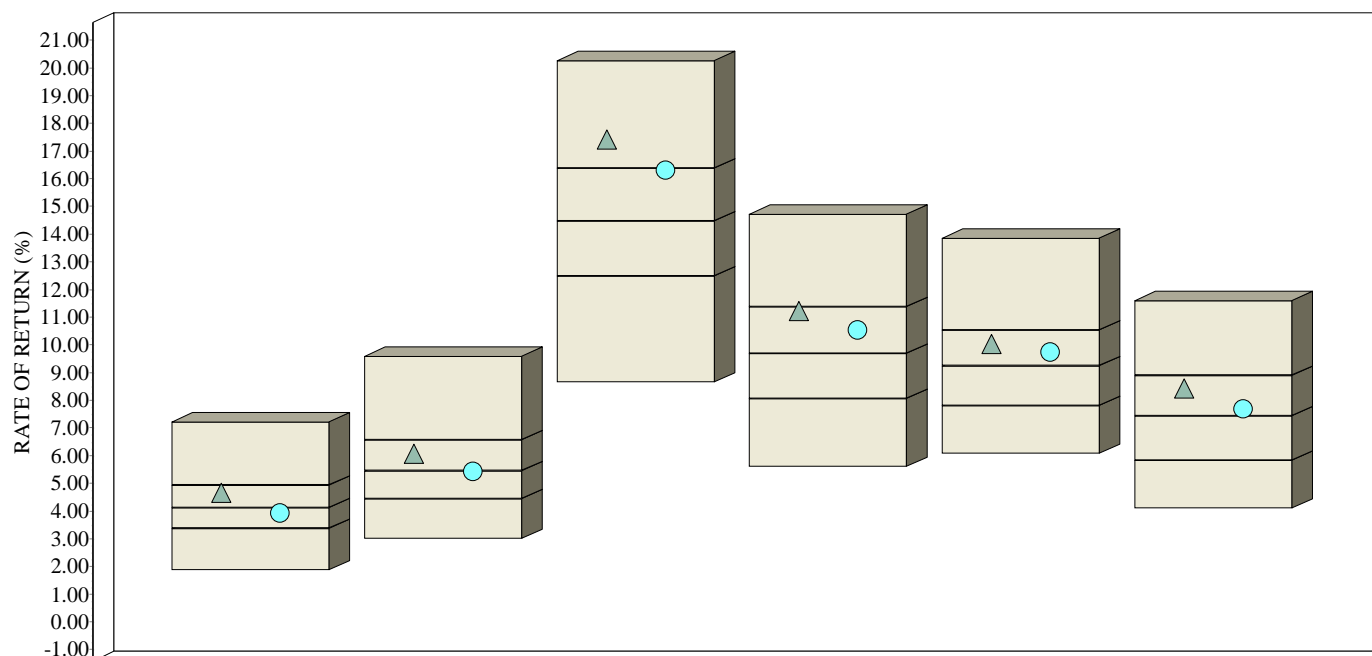
	1 Qtr	YTD	1 Yr	3 Yr	5 Yr	Since Inception
TOTAL FUND	4.65	6.07	17.41	11.22	10.02	8.42
POLICY INDEX	3.90	5.43	16.30	10.53	9.73	7.67
Difference	0.74	0.64	1.11	0.69	0.29	0.75

Calendar Year Returns



	2006	2005	2004	2003	2002
TOTAL FUND	13.65	6.43	9.71	17.89	-6.01
POLICY INDEX	13.20	5.40	9.97	21.12	-10.38
Difference	0.45	1.04	-0.26	-3.22	4.37

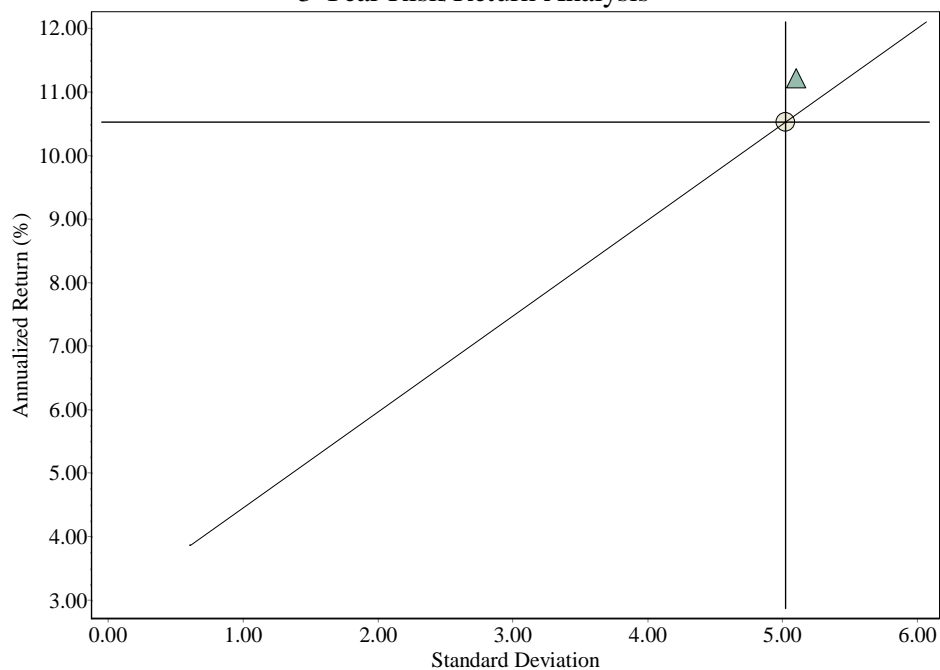
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST BALANCED MANAGERS



	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE		7.22		9.58		20.26		14.71		13.85		11.58
FIRST QUARTILE		4.92		6.58		16.36		11.36		10.54		8.89
MEDIAN VALUE		4.11		5.45		14.46		9.67		9.25		7.44
THIRD QUARTILE		3.37		4.44		12.47		8.06		7.79		5.82
LOWEST VALUE		1.87		3.01		8.64		5.61		6.08		4.08
MEAN		4.19		5.63		14.40		9.70		9.24		7.54
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ COMPOSITE	4.65	32	6.07	36	17.41	12	11.22	27	10.02	37	8.42	35
● POLICY INDEX	3.90	58	5.43	51	16.30	25	10.53	37	9.73	42	7.67	46

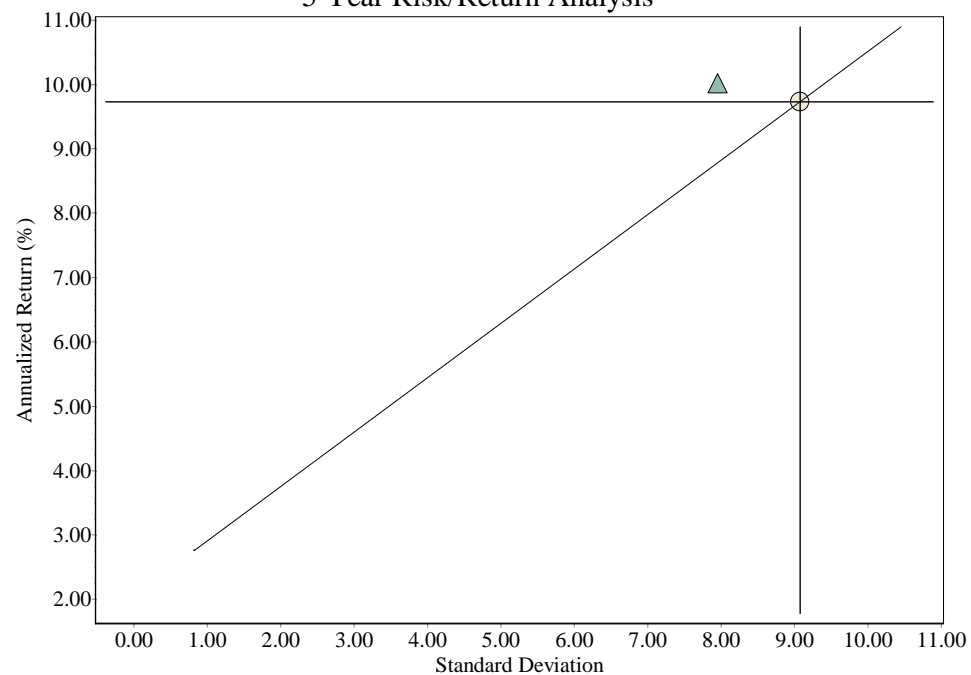
COMPOSITE RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ COMPOSITE	11.22	5.10	0.62	1.00	98.03
○ POLICY INDEX	10.53	5.02	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ COMPOSITE	10.02	7.95	1.12	0.87	98.33
○ POLICY INDEX	9.73	9.07	0.00	1.00	100.00

**COMPOSITE
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Dec 2001	N/A	0	0	N/A	0.00
Mar 2002	N/A	0	0	N/A	0.28
Jun 2002	N/A	0	41,225,900	41,225,900	-3.50
Sep 2002	41,225,900	0	-3,800,429	37,425,471	-7.84
Dec 2002	37,425,471	0	1,808,362	39,233,833	5.39
Mar 2003	39,233,833	0	-185,531	39,048,302	-1.93
Jun 2003	39,048,302	0	3,648,601	42,696,903	10.03
Sep 2003	42,696,903	0	289,805	42,986,708	1.36
Dec 2003	42,986,708	0	3,093,328	46,080,036	7.79
Mar 2004	46,080,036	0	2,258,325	48,338,361	2.56
Jun 2004	48,338,361	0	-352,977	47,985,384	-0.23
Sep 2004	47,985,384	0	-166,674	47,818,710	0.45
Dec 2004	47,818,710	0	3,057,601	50,876,311	6.74
Mar 2005	50,876,311	0	487,401	51,363,712	-1.31
Jun 2005	51,363,712	0	443,603	51,807,315	1.99
Sep 2005	51,807,315	0	1,424,511	53,231,826	3.53
Dec 2005	53,231,826	-398,198	1,063,024	53,896,652	2.14
Mar 2006	53,896,652	1,065,642	1,939,241	56,901,535	3.59
Jun 2006	56,901,535	-531,862	-499,858	55,869,815	-0.88
Sep 2006	55,869,815	-424,358	2,576,336	58,021,793	4.64
Dec 2006	58,021,793	-433,628	3,340,857	60,929,022	5.79
Mar 2007	60,929,022	1,188,243	828,248	62,945,513	1.36
Jun 2007	62,945,513	-424,423	2,911,209	65,432,299	4.65

**COMPOSITE
QUARTERLY ASSET ALLOCATION (%)**

	BOND	EQUITY	INTERNATIONAL EQUITY
Period Ending	Actual Weight	Actual Weight	Actual Weight
12/31/2006	28.68	55.94	15.38
03/31/2007	28.39	55.90	15.71
06/30/2007	26.29	57.23	16.48

Profile

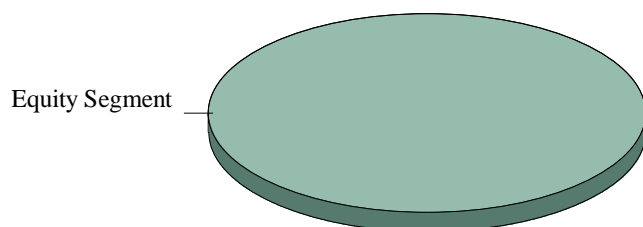
PRINCIPAL LARGE CAP STOCK INDEX	
Style:	Large Cap
Benchmark:	S&P 500
Universe:	Large Cap Managers
Inception Date:	December 31, 1994

Account Reconciliation

Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	35,184,113	34,083,384	28,505,988
Net Flows	77,971	970,249	2,035,799
Investment G/L	2,183,321	2,391,772	6,903,618
Ending Value	37,445,405	37,445,405	37,445,405

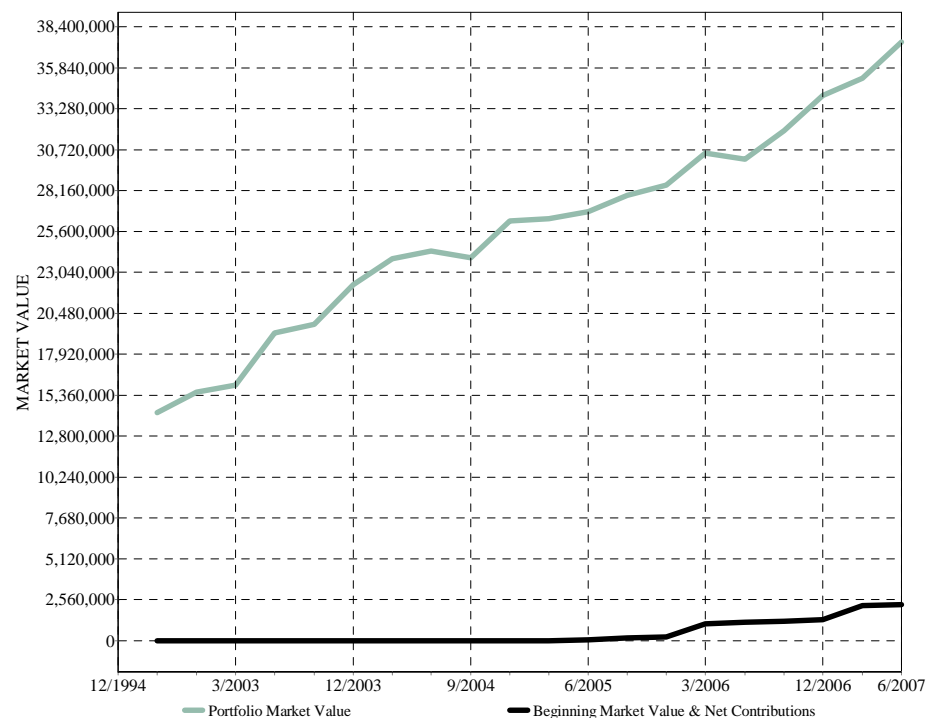
Asset Allocation

Total Market Value
As Of June 30, 2007
\$37,445,405



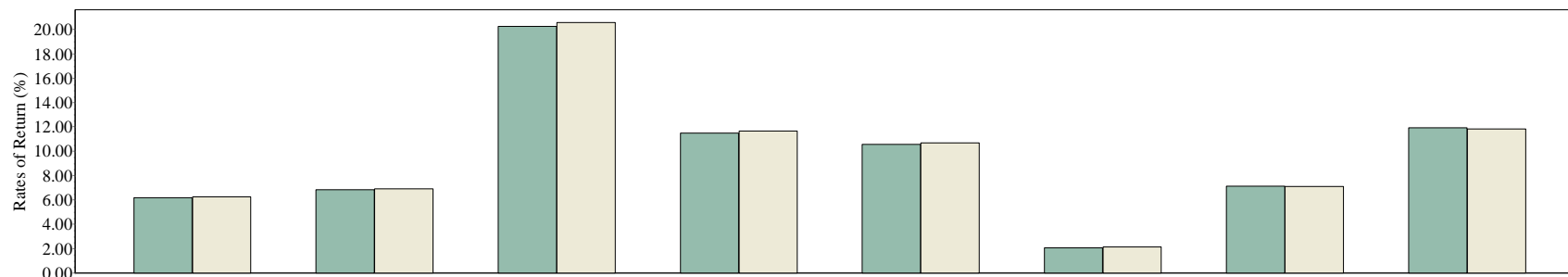
S&P 500: 100% S&P 500

Source Of Portfolio Growth



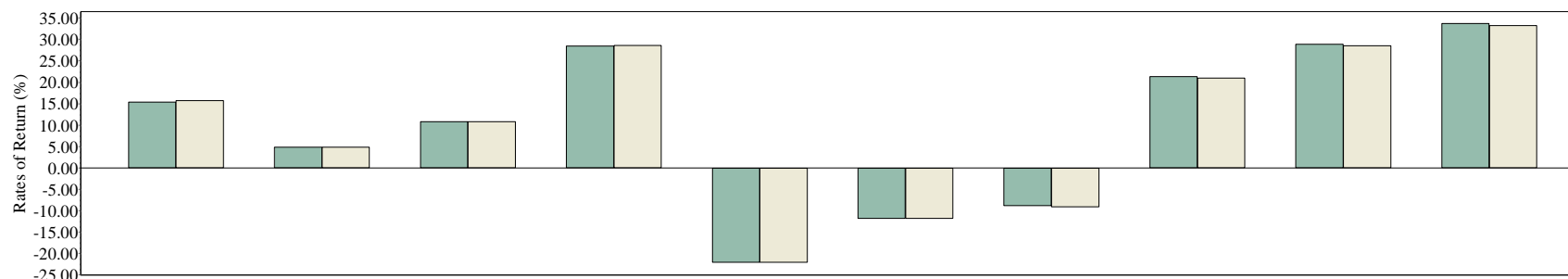
PRINCIPAL LARGE CAP STOCK INDEX - TOTAL FUND
12/1994 Through 6/2007

Trailing Returns



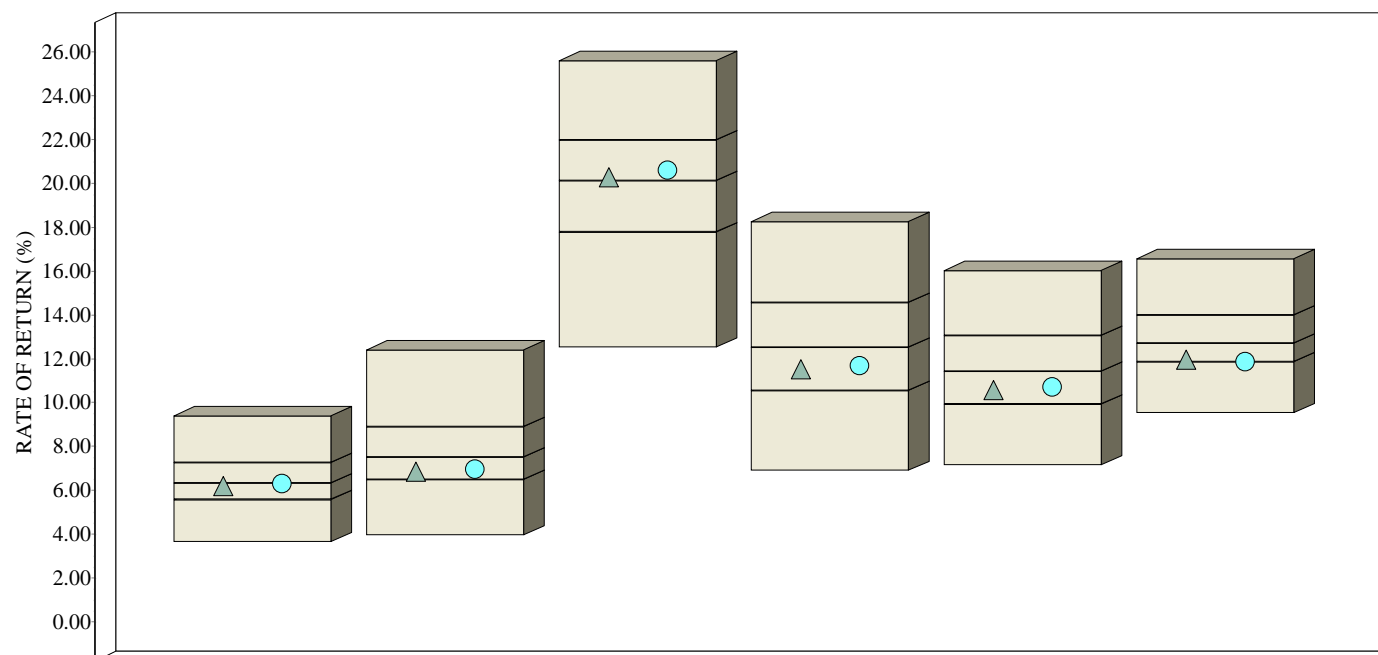
	1 Qtr	YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception
TOTAL FUND	6.20	6.84	20.27	11.52	10.58	2.10	7.18	11.97
S&P 500	6.28	6.96	20.59	11.67	10.71	2.16	7.13	11.86
Difference	-0.08	-0.12	-0.32	-0.15	-0.13	-0.06	0.05	0.10

Calendar Year Returns



	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TOTAL FUND	15.44	4.92	10.83	28.53	-22.12	-11.90	-8.83	21.41	28.98	33.74
S&P 500	15.80	4.90	10.87	28.69	-22.11	-11.88	-9.11	21.04	28.58	33.36
Difference	-0.36	0.02	-0.04	-0.17	-0.01	-0.02	0.27	0.37	0.39	0.38

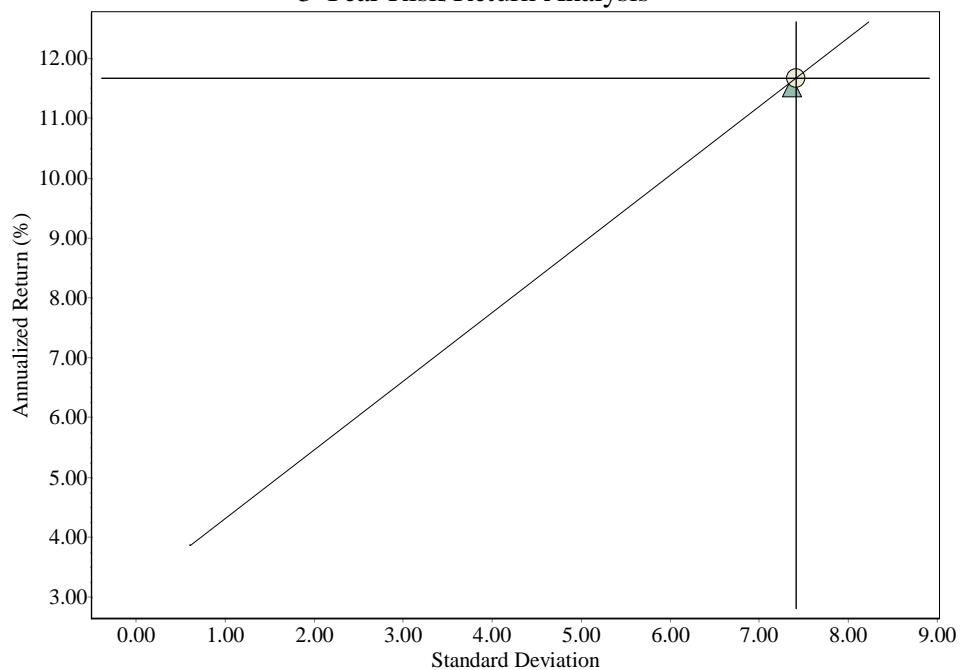
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST LARGE CAP MANAGERS



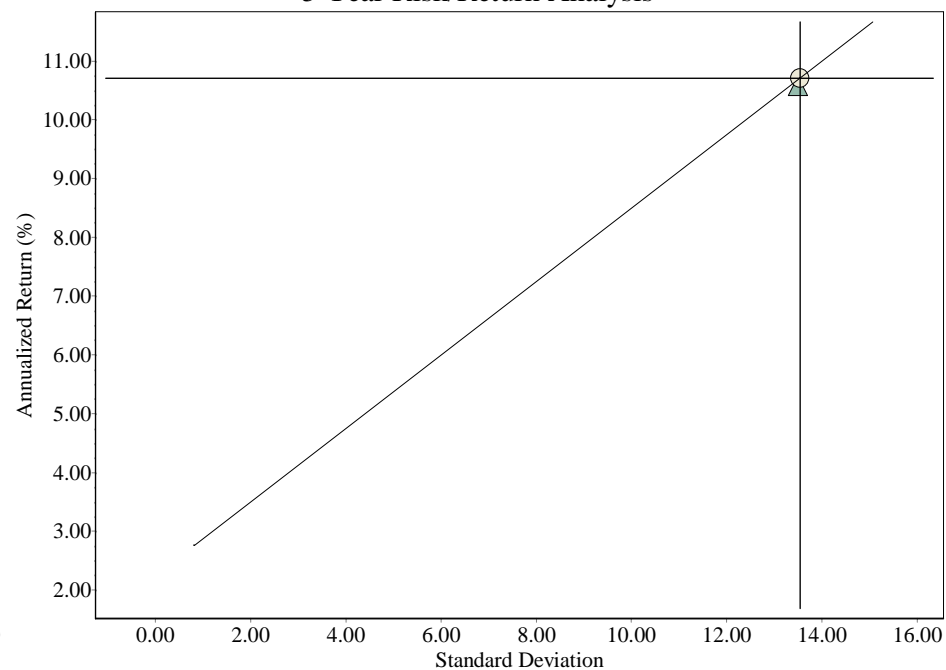
	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE	9.38		12.39		25.60		18.24		16.02		16.56	
FIRST QUARTILE	7.27		8.88		21.96		14.55		13.04		13.98	
MEDIAN VALUE	6.32		7.51		20.13		12.51		11.41		12.71	
THIRD QUARTILE	5.58		6.49		17.79		10.54		9.93		11.86	
LOWEST VALUE	3.62		3.94		12.51		6.89		7.14		9.52	
MEAN	6.41		7.70		19.79		12.56		11.48		12.87	
	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL LARGE CAP	6.20	55	6.84	68	20.27	48	11.52	65	10.58	67	11.97	70
● S&P 500	6.28	52	6.96	64	20.59	42	11.67	63	10.71	64	11.86	75

PRINCIPAL LARGE CAP STOCK INDEX RETURN VS RISK

3 Year Risk/Return Analysis



5 Year Risk/Return Analysis



**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Dec 1994	N/A	0	0	N/A	0.00
Mar 1995	N/A	0	0	N/A	9.80
Jun 1995	N/A	0	0	N/A	9.62
Sep 1995	N/A	0	0	N/A	8.01
Dec 1995	N/A	0	0	N/A	6.11
Mar 1996	N/A	0	0	N/A	5.40
Jun 1996	N/A	0	0	N/A	4.58
Sep 1996	N/A	0	0	N/A	3.17
Dec 1996	N/A	0	0	N/A	8.42
Mar 1997	N/A	0	0	N/A	2.77
Jun 1997	N/A	0	0	N/A	17.49
Sep 1997	N/A	0	0	N/A	7.58
Dec 1997	N/A	0	0	N/A	2.96
Mar 1998	N/A	0	0	N/A	14.01
Jun 1998	N/A	0	0	N/A	3.37
Sep 1998	N/A	0	0	N/A	-9.83
Dec 1998	N/A	0	0	N/A	21.37
Mar 1999	N/A	0	0	N/A	5.04
Jun 1999	N/A	0	0	N/A	7.12
Sep 1999	N/A	0	0	N/A	-6.15
Dec 1999	N/A	0	0	N/A	14.97
Mar 2000	N/A	0	0	N/A	2.34
Jun 2000	N/A	0	0	N/A	-2.58
Sep 2000	N/A	0	0	N/A	-0.92
Dec 2000	N/A	0	0	N/A	-7.71
Mar 2001	N/A	0	0	N/A	-11.90
Jun 2001	N/A	0	0	N/A	5.73
Sep 2001	N/A	0	0	N/A	-14.59

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Dec 2001	N/A	0	0	N/A	10.74
Mar 2002	N/A	0	0	N/A	0.25
Jun 2002	N/A	0	17,215,641	17,215,641	-13.39
Sep 2002	17,215,641	0	-2,935,912	14,279,729	-17.27
Dec 2002	14,279,729	0	1,282,740	15,562,469	8.42
Mar 2003	15,562,469	0	451,032	16,013,501	-3.16
Jun 2003	16,013,501	0	3,236,286	19,249,787	15.36
Sep 2003	19,249,787	0	551,812	19,801,599	2.63
Dec 2003	19,801,599	0	2,464,558	22,266,157	12.10
Mar 2004	22,266,157	0	1,625,488	23,891,645	1.67
Jun 2004	23,891,645	0	482,564	24,374,209	1.72
Sep 2004	24,374,209	0	-410,246	23,963,963	-1.87
Dec 2004	23,963,963	0	2,293,569	26,257,532	9.21
Mar 2005	26,257,532	0	162,832	26,420,364	-2.12
Jun 2005	26,420,364	84,114	341,273	26,845,751	1.37
Sep 2005	26,845,751	85,603	943,077	27,874,431	3.59
Dec 2005	27,874,431	74,278	557,279	28,505,988	2.08
Mar 2006	28,505,988	820,773	1,174,698	30,501,459	4.11
Jun 2006	30,501,459	73,642	-458,574	30,116,527	-1.50
Sep 2006	30,116,527	86,022	1,688,372	31,890,921	5.60
Dec 2006	31,890,921	85,113	2,107,350	34,083,384	6.60
Mar 2007	34,083,384	892,278	208,451	35,184,113	0.61
Jun 2007	35,184,113	77,971	2,183,321	37,445,405	6.20

**PRINCIPAL LARGE CAP STOCK INDEX
QUARTERLY ASSET ALLOCATION (%)**

EQUITY

Period Ending	Actual Weight
12/31/2005	100.00
03/31/2006	100.00
06/30/2006	100.00
09/30/2006	100.00
12/31/2006	100.00
03/31/2007	100.00
06/30/2007	100.00

Profile

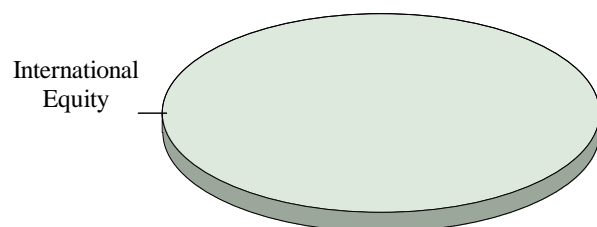
PRINCIPAL INTERNATIONAL STOCK	
Style:	Foreign Equity
Benchmark:	MSCI NET EAFE
Universe:	Foreign Equity Managers
Inception Date:	December 31, 1994

Account Reconciliation

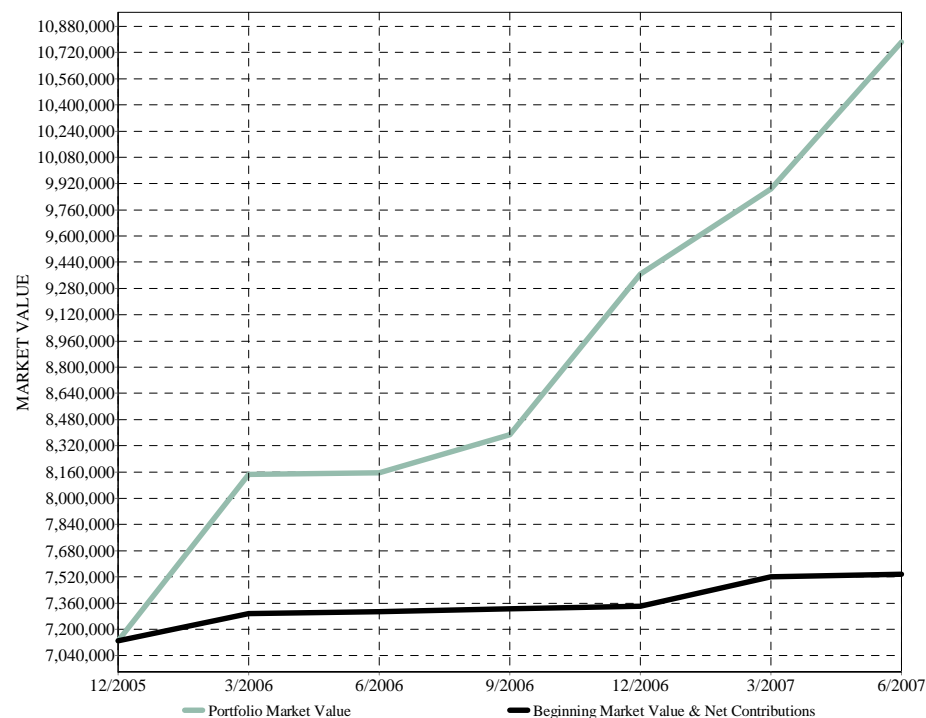
Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	9,888,606	9,370,346	7,130,692
Net Flows	15,594	194,049	407,161
Investment G/L	878,881	1,218,686	3,245,228
Ending Value	10,783,081	10,783,081	10,783,081

Asset Allocation

Total Market Value
As Of June 30, 2007
\$10,783,081

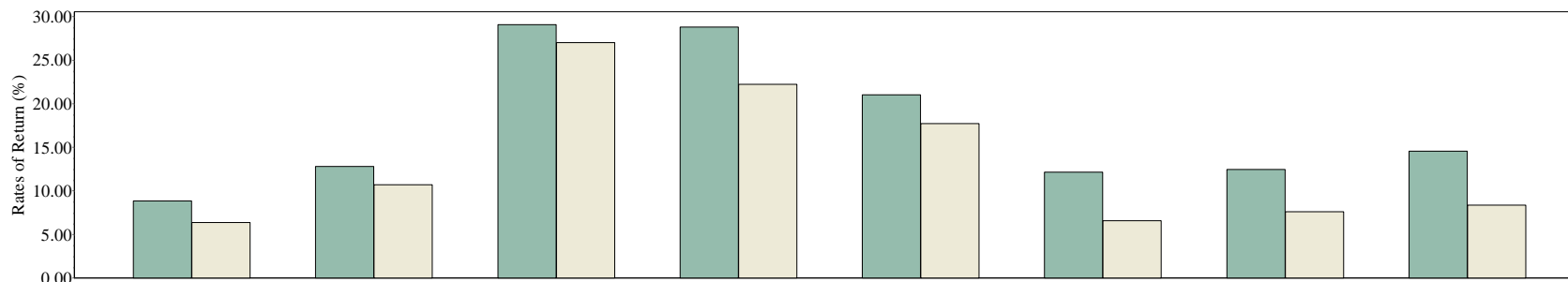


Source Of Portfolio Growth



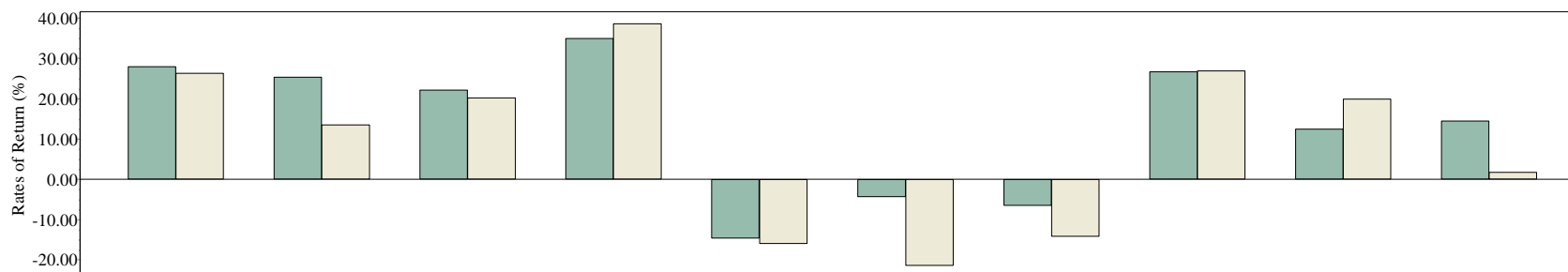
PRINCIPAL INTERNATIONAL STOCK - TOTAL FUND
12/1994 Through 6/2007

Trailing Returns



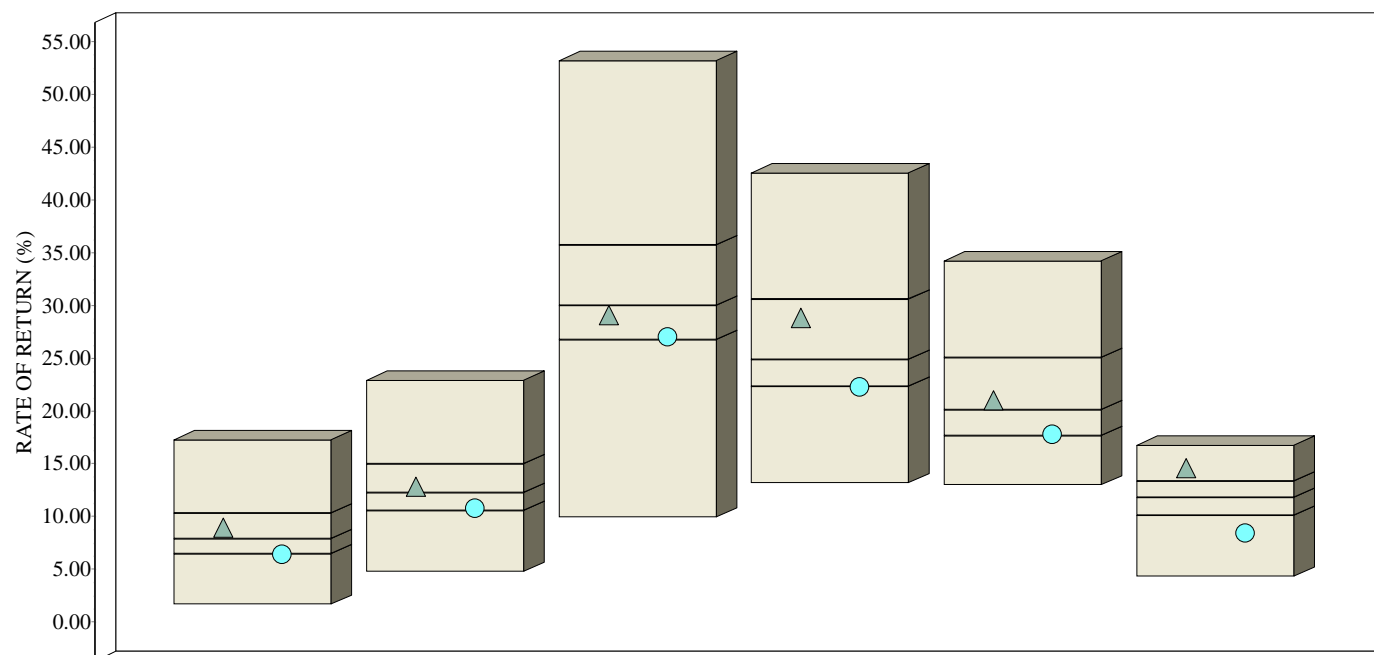
	1 Qtr	YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception
TOTAL FUND	8.88	12.81	29.10	28.82	21.03	12.14	12.47	14.59
MSCI NET EAFE	6.40	10.74	27.00	22.24	17.73	6.60	7.66	8.41
Difference	2.48	2.07	2.10	6.58	3.30	5.54	4.81	6.18

Calendar Year Returns



	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TOTAL FUND	27.96	25.37	22.19	34.99	-14.65	-4.33	-6.45	26.78	12.46	14.49
MSCI NET EAFE	26.34	13.54	20.24	38.60	-15.94	-21.44	-14.16	26.97	19.99	1.77
Difference	1.62	11.84	1.95	-3.61	1.29	17.10	7.71	-0.20	-7.53	12.72

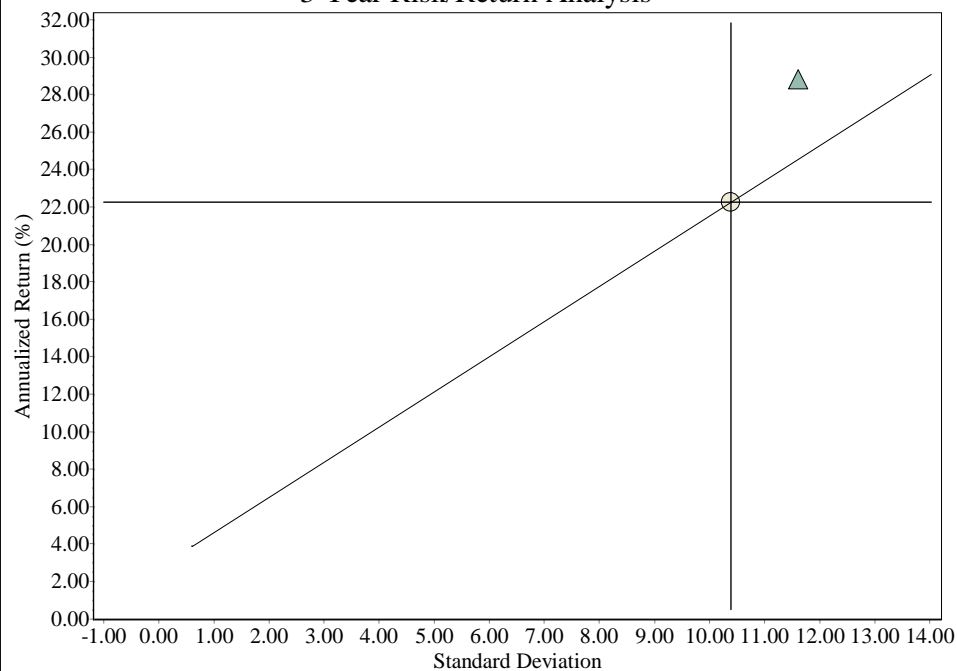
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST FOREIGN EQUITY MANAGERS



	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE		17.26		22.91		53.21		42.56		34.18		16.73
FIRST QUARTILE		10.25		14.95		35.71		30.58		25.06		13.33
MEDIAN VALUE		7.90		12.20		30.00		24.85		20.07		11.76
THIRD QUARTILE		6.44		10.57		26.76		22.31		17.62		10.06
LOWEST VALUE		1.62		4.72		9.88		13.15		12.91		4.32
MEAN		8.78		12.96		32.06		26.75		21.77		11.56
	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL INTL STOCK	8.88	36	12.81	42	29.10	56	28.82	29	21.03	42	14.59	12
● MSCI NET EAFE	6.40	75	10.74	72	27.00	72	22.24	75	17.73	73	8.41	89

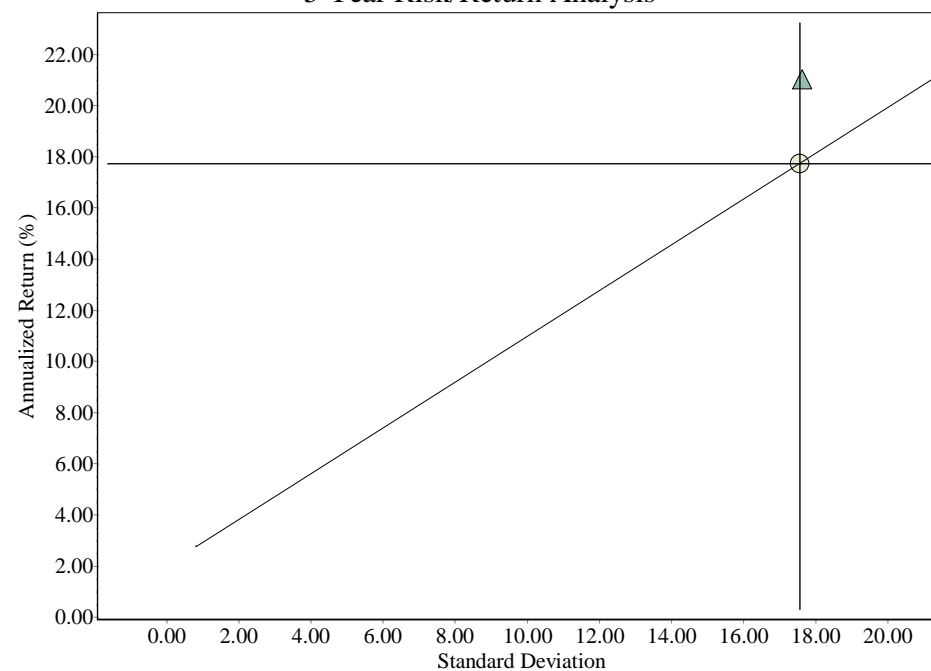
PRINCIPAL INTERNATIONAL STOCK RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL INTL STOCK	28.82	11.60	4.37	1.07	91.35
○ MSCI NET EAFE	22.24	10.38	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL INTL STOCK	21.03	17.62	3.18	0.98	95.98
○ MSCI NET EAFE	17.73	17.56	0.00	1.00	100.00

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Dec 1994	N/A	0	0	N/A	0.00
Mar 1995	N/A	0	0	N/A	-0.66
Jun 1995	N/A	0	0	N/A	9.50
Sep 1995	N/A	0	0	N/A	5.14
Dec 1995	N/A	0	0	N/A	1.88
Mar 1996	N/A	0	0	N/A	8.60
Jun 1996	N/A	0	0	N/A	4.19
Sep 1996	N/A	0	0	N/A	3.20
Dec 1996	N/A	0	0	N/A	8.40
Mar 1997	N/A	0	0	N/A	3.66
Jun 1997	N/A	0	0	N/A	10.83
Sep 1997	N/A	0	0	N/A	5.70
Dec 1997	N/A	0	0	N/A	-5.72
Mar 1998	N/A	0	0	N/A	15.53
Jun 1998	N/A	0	0	N/A	-0.26
Sep 1998	N/A	0	0	N/A	-17.09
Dec 1998	N/A	0	0	N/A	17.71
Mar 1999	N/A	0	0	N/A	3.22
Jun 1999	N/A	0	0	N/A	2.95
Sep 1999	N/A	0	0	N/A	2.66
Dec 1999	N/A	0	0	N/A	16.21
Mar 2000	N/A	0	0	N/A	3.60
Jun 2000	N/A	0	0	N/A	-1.33
Sep 2000	N/A	0	0	N/A	-9.24
Dec 2000	N/A	0	0	N/A	0.83
Mar 2001	N/A	0	0	N/A	3.60
Jun 2001	N/A	0	0	N/A	-0.75
Sep 2001	N/A	0	0	N/A	-15.01

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Dec 2001	N/A	0	0	N/A	9.47
Mar 2002	N/A	0	0	N/A	-0.48
Jun 2002	N/A	0	3,793,548	3,793,548	-1.43
Sep 2002	3,793,548	0	-691,999	3,101,549	-18.28
Dec 2002	3,101,549	0	213,601	3,315,150	6.47
Mar 2003	3,315,150	0	-257,809	3,057,341	-7.88
Jun 2003	3,057,341	0	554,222	3,611,563	17.86
Sep 2003	3,611,563	0	207,171	3,818,734	5.62
Dec 2003	3,818,734	0	685,629	4,504,363	17.72
Mar 2004	4,504,363	0	219,287	4,723,650	4.24
Jun 2004	4,723,650	0	-30,296	4,693,354	-0.77
Sep 2004	4,693,354	0	89,461	4,782,815	1.89
Dec 2004	4,782,815	0	771,942	5,554,757	15.94
Mar 2005	5,554,757	0	180,760	5,735,517	0.90
Jun 2005	5,735,517	16,823	78,107	5,830,447	1.62
Sep 2005	5,830,447	17,120	880,512	6,728,079	15.34
Dec 2005	6,728,079	14,856	387,757	7,130,692	6.01
Mar 2006	7,130,692	164,155	852,303	8,147,150	11.91
Jun 2006	8,147,150	14,729	-6,802	8,155,077	-0.08
Sep 2006	8,155,077	17,204	214,408	8,386,689	2.63
Dec 2006	8,386,689	17,024	966,633	9,370,346	11.51
Mar 2007	9,370,346	178,455	339,805	9,888,606	3.61
Jun 2007	9,888,606	15,594	878,881	10,783,081	8.88

**PRINCIPAL INTERNATIONAL STOCK
QUARTERLY ASSET ALLOCATION (%)**

INTERNATIONAL EQUITY

Period Ending	Actual Weight
12/31/2005	100.00
03/31/2006	100.00
06/30/2006	100.00
09/30/2006	100.00
12/31/2006	100.00
03/31/2007	100.00
06/30/2007	100.00

Profile

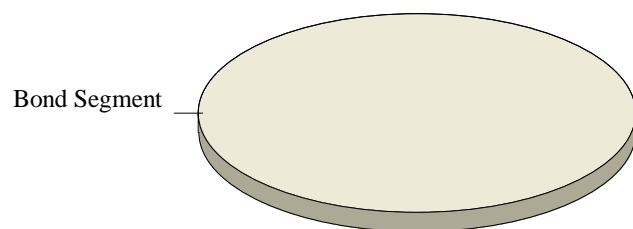
PRINCIPAL BOND AND MORTGAGE	
Style:	Core Fixed Income
Benchmark:	LB AGGREGATE BOND
Universe:	Core Fixed Income
Inception Date:	December 31, 1994

Account Reconciliation

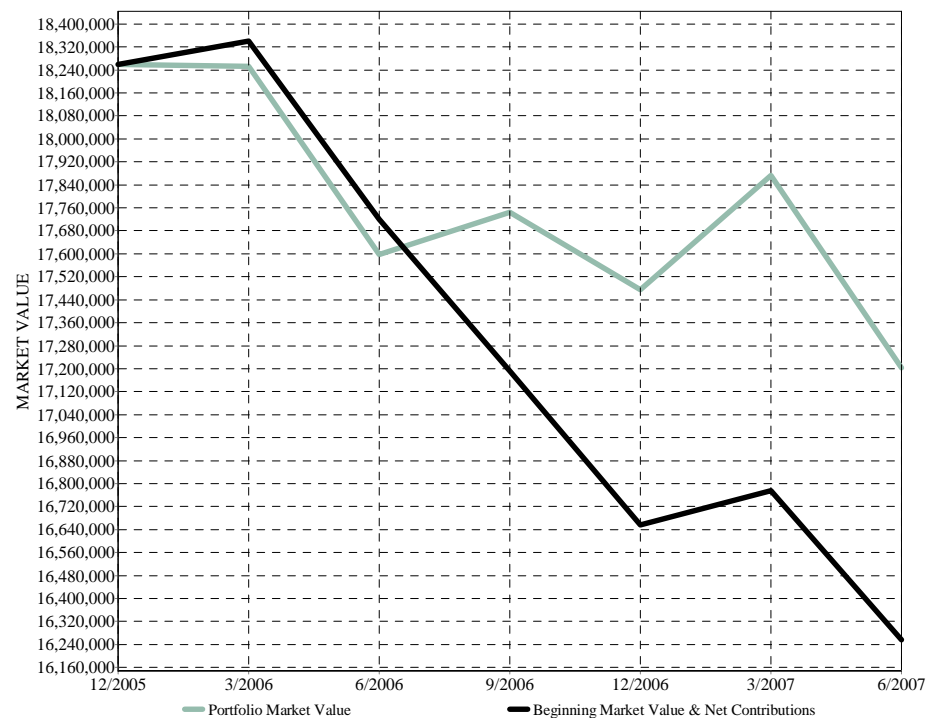
Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	17,872,794	17,475,292	18,259,972
Net Flows	-517,988	-400,478	-2,003,346
Investment G/L	-150,993	128,999	947,187
Ending Value	17,203,813	17,203,813	17,203,813

Asset Allocation

Total Market Value
As Of June 30, 2007
\$17,203,813

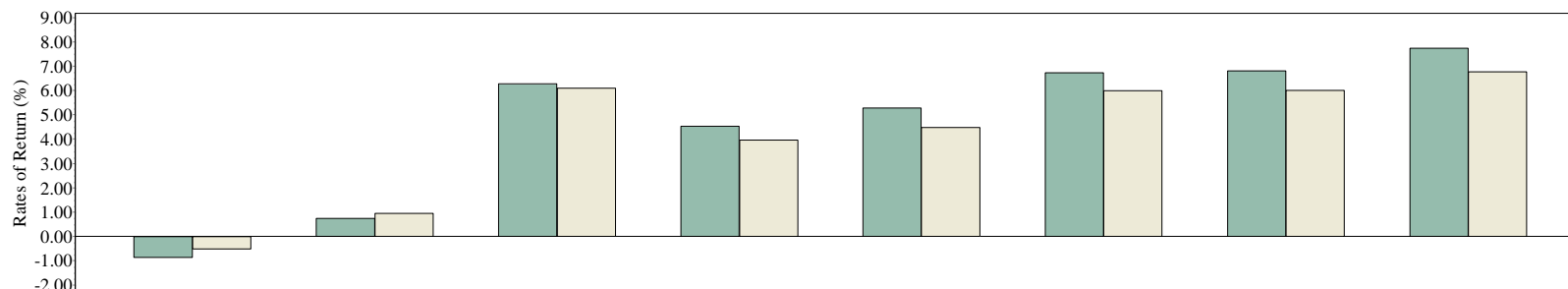


Source Of Portfolio Growth



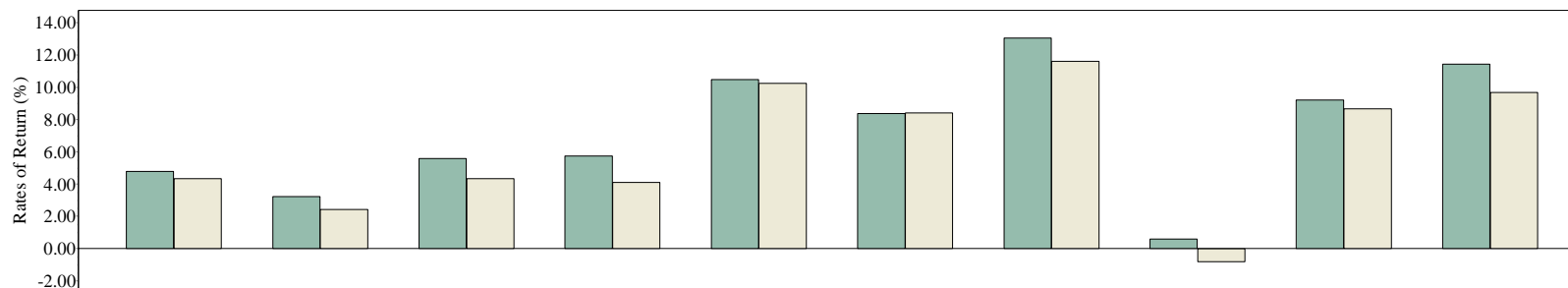
PRINCIPAL BOND AND MORTGAGE - TOTAL FUND
12/1994 Through 6/2007

Trailing Returns



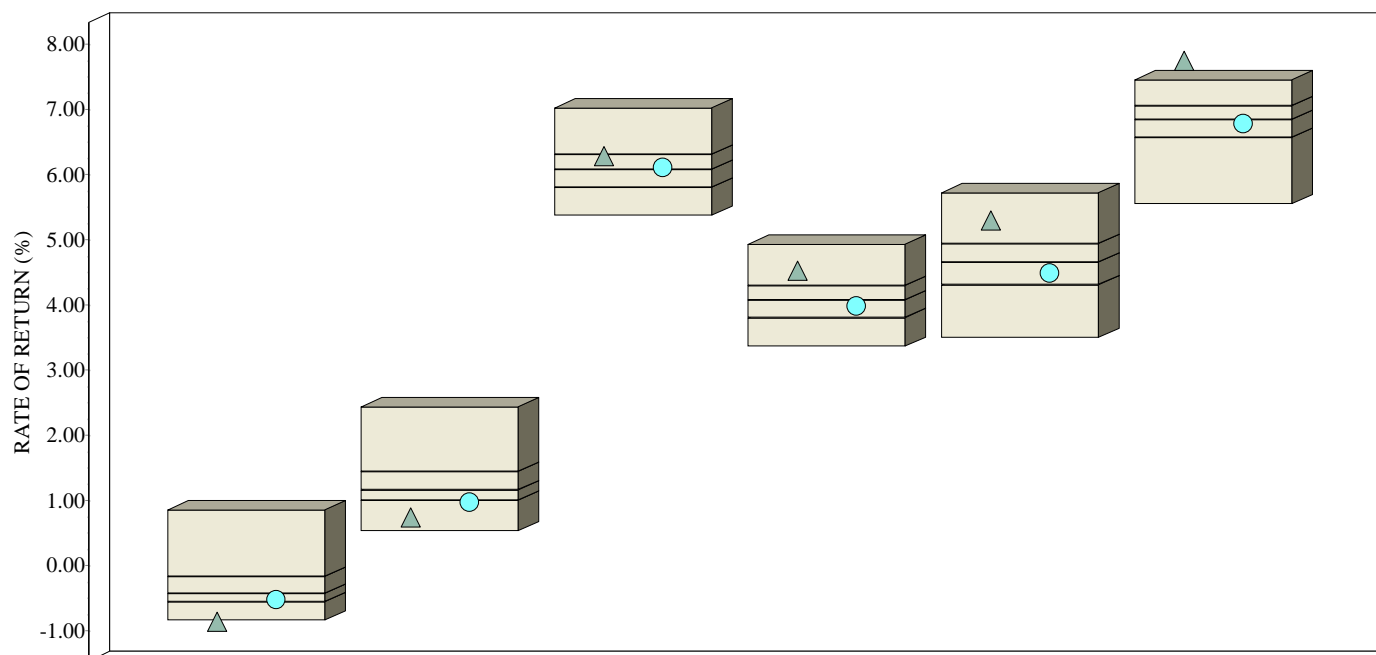
	1 Qtr	YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception
TOTAL FUND	-0.86	0.74	6.29	4.53	5.29	6.73	6.81	7.75
LB AGGREGATE BOND	-0.52	0.97	6.11	3.98	4.48	6.01	6.02	6.78
Difference	-0.34	-0.23	0.18	0.55	0.81	0.72	0.80	0.97

Calendar Year Returns



	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TOTAL FUND	4.79	3.24	5.60	5.76	10.50	8.39	13.09	0.60	9.23	11.44
LB AGGREGATE BOND	4.33	2.43	4.34	4.11	10.27	8.42	11.63	-0.83	8.67	9.68
Difference	0.46	0.81	1.26	1.65	0.23	-0.04	1.46	1.43	0.55	1.76

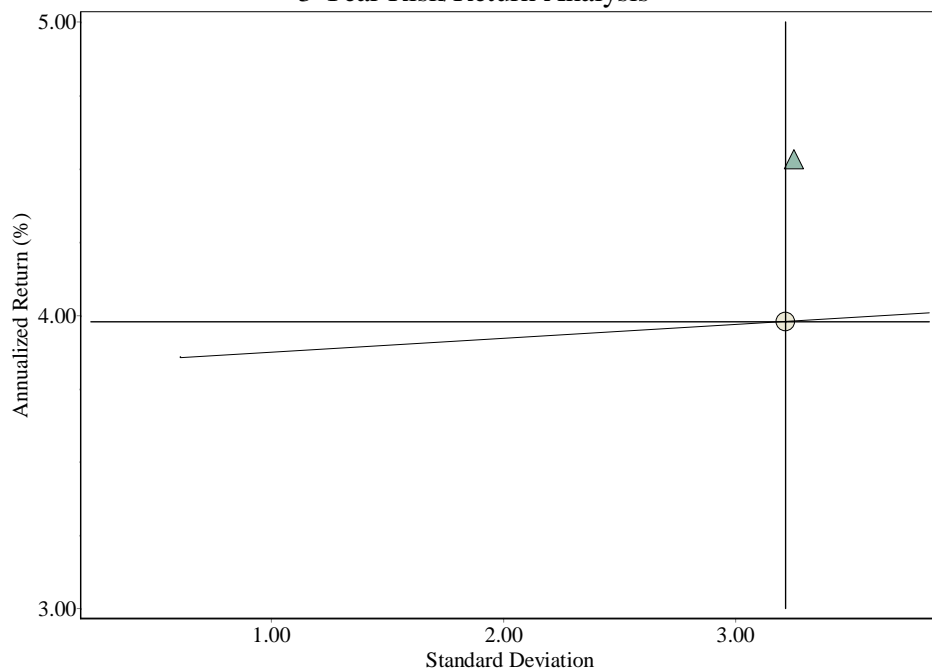
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST CORE FIXED INCOME



	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE		0.85		2.43		7.02		4.92		5.72		7.46
FIRST QUARTILE		-0.17		1.44		6.31		4.30		4.94		7.05
MEDIAN VALUE		-0.43		1.15		6.07		4.08		4.65		6.84
THIRD QUARTILE		-0.55		1.00		5.80		3.80		4.30		6.57
LOWEST VALUE		-0.84		0.53		5.36		3.36		3.50		5.55
MEAN		-0.33		1.24		6.09		4.06		4.63		6.77
	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL BOND MTG	-0.86	99	0.74	95	6.29	28	4.53	9	5.29	6	7.75	1
● LB AGGREGATE BOND	-0.52	67	0.97	79	6.11	47	3.98	60	4.48	63	6.78	60

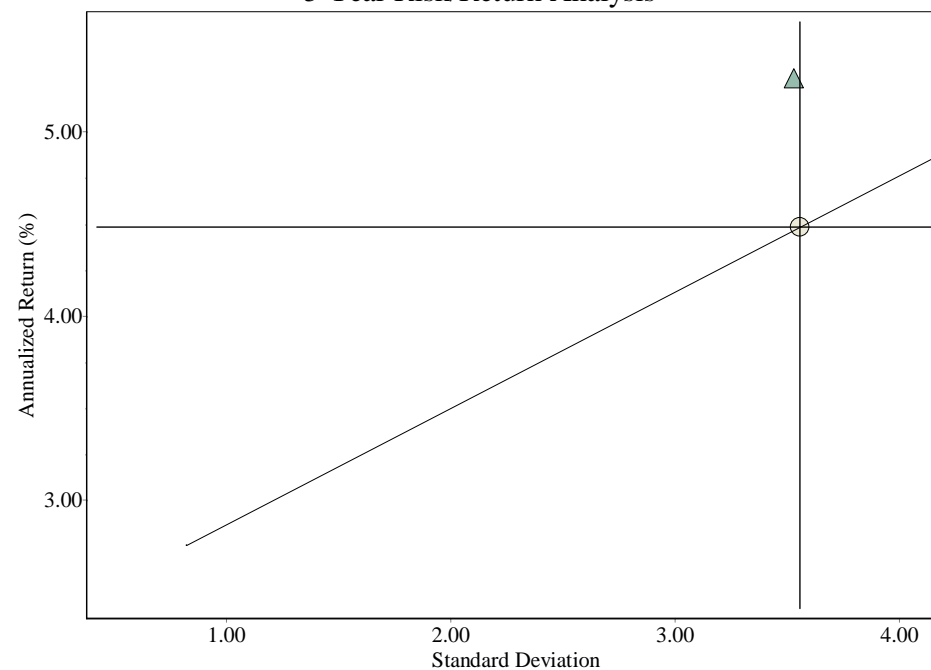
PRINCIPAL BOND AND MORTGAGE RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL BOND MTG	4.53	3.25	0.54	1.01	98.27
● LB AGGREGATE BOND	3.98	3.21	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL BOND MTG	5.29	3.53	0.78	1.00	98.58
● LB AGGREGATE BOND	4.48	3.56	0.00	1.00	100.00

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Dec 1994	N/A	0	0	N/A	0.00
Mar 1995	N/A	0	0	N/A	5.28
Jun 1995	N/A	0	0	N/A	6.51
Sep 1995	N/A	0	0	N/A	2.05
Dec 1995	N/A	0	0	N/A	4.65
Mar 1996	N/A	0	0	N/A	-1.26
Jun 1996	N/A	0	0	N/A	0.66
Sep 1996	N/A	0	0	N/A	2.34
Dec 1996	N/A	0	0	N/A	3.37
Mar 1997	N/A	0	0	N/A	0.07
Jun 1997	N/A	0	0	N/A	4.35
Sep 1997	N/A	0	0	N/A	3.69
Dec 1997	N/A	0	0	N/A	2.92
Mar 1998	N/A	0	0	N/A	1.96
Jun 1998	N/A	0	0	N/A	2.52
Sep 1998	N/A	0	0	N/A	3.83
Dec 1998	N/A	0	0	N/A	0.64
Mar 1999	N/A	0	0	N/A	0.39
Jun 1999	N/A	0	0	N/A	-0.89
Sep 1999	N/A	0	0	N/A	1.07
Dec 1999	N/A	0	0	N/A	0.04
Mar 2000	N/A	0	0	N/A	2.64
Jun 2000	N/A	0	0	N/A	1.82
Sep 2000	N/A	0	0	N/A	3.43
Dec 2000	N/A	0	0	N/A	4.62
Mar 2001	N/A	0	0	N/A	2.64
Jun 2001	N/A	0	0	N/A	0.91
Sep 2001	N/A	0	0	N/A	4.74

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Dec 2001	N/A	0	0	N/A	-0.09
Mar 2002	N/A	0	0	N/A	0.17
Jun 2002	N/A	0	17,507,309	17,507,309	3.76
Sep 2002	17,507,309	0	245,608	17,752,917	4.57
Dec 2002	17,752,917	0	-45,649	17,707,268	1.67
Mar 2003	17,707,268	0	-121,848	17,585,420	1.72
Jun 2003	17,585,420	0	130,200	17,715,620	2.92
Sep 2003	17,715,620	0	-384,598	17,331,022	0.06
Dec 2003	17,331,022	0	-217,931	17,113,091	0.96
Mar 2004	17,113,091	0	1,421,510	18,534,601	2.95
Jun 2004	18,534,601	0	-776,403	17,758,198	-2.12
Sep 2004	17,758,198	0	117,376	17,875,574	3.42
Dec 2004	17,875,574	0	1,188,448	19,064,022	1.33
Mar 2005	19,064,022	0	-36,191	19,027,831	-0.36
Jun 2005	19,027,831	-427,848	531,134	19,131,117	2.96
Sep 2005	19,131,117	-438,404	-63,397	18,629,316	-0.16
Dec 2005	18,629,316	-487,332	117,988	18,259,972	0.80
Mar 2006	18,259,972	80,714	-87,760	18,252,926	-0.48
Jun 2006	18,252,926	-620,233	-34,482	17,598,211	-0.19
Sep 2006	17,598,211	-527,584	673,556	17,744,183	3.91
Dec 2006	17,744,183	-535,765	266,874	17,475,292	1.53
Mar 2007	17,475,292	117,510	279,992	17,872,794	1.62
Jun 2007	17,872,794	-517,988	-150,993	17,203,813	-0.86

**PRINCIPAL BOND AND MORTGAGE
QUARTERLY ASSET ALLOCATION (%)**

BOND

Period Ending	Actual Weight
12/31/2005	100.00
03/31/2006	100.00
06/30/2006	100.00
09/30/2006	100.00
12/31/2006	100.00
03/31/2007	100.00
06/30/2007	100.00

**COMPOSITE
RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	2.00	2.00	0.00
Positive Periods	10.00	10.00	0.00
Batting Average	58.33	41.67	16.67
Worst Qtr	-1.31	-1.25	-0.06
Best Qtr	6.74	7.18	-0.44
Range	8.05	8.43	-0.38
Worst 4 Qtrs	6.43	5.40	1.04
Standard Deviation	4.88	4.81	0.07
Beta	1.00	1.00	0.00
Alpha	0.62	0.00	0.62
R-Squared	98.03	100.00	-1.97
Sharpe Ratio	1.51	1.39	0.12
Treynor Ratio	7.34	6.67	0.67
Tracking Error	0.68	0.00	0.68
Information Ratio	0.95		

5 Yr	Fund	Policy	Diff
Negative Periods	5.00	4.00	1.00
Positive Periods	15.00	16.00	-1.00
Batting Average	50.00	50.00	0.00
Worst Qtr	-7.84	-10.32	2.48
Best Qtr	10.03	11.35	-1.32
Range	17.87	21.68	-3.81
Worst 4 Qtrs	4.81	3.25	1.56
Standard Deviation	7.75	8.84	-1.09
Beta	0.87	1.00	-0.13
Alpha	1.12	0.00	1.12
R-Squared	98.33	100.00	-1.67
Sharpe Ratio	0.94	0.79	0.15
Treynor Ratio	8.39	6.98	1.42
Tracking Error	1.56	0.00	1.56
Information Ratio	0.11		

7 Yr	Fund	Policy	Diff
Negative Periods		9.00	
Positive Periods		19.00	
Batting Average			
Worst Qtr		-10.32	
Best Qtr		11.35	
Range		21.68	
Worst 4 Qtrs	-8.08	-14.50	6.42
Standard Deviation		9.84	
Beta		1.00	
Alpha		0.00	
R-Squared		100.00	
Sharpe Ratio		0.15	
Treynor Ratio		1.47	
Tracking Error		0.00	
Information Ratio			

Incept	Fund	Policy	Diff
Negative Periods	6.00	5.00	1.00
Positive Periods	16.00	17.00	-1.00
Batting Average	50.00	50.00	0.00
Worst Qtr	-7.84	-10.32	2.48
Best Qtr	10.03	11.35	-1.32
Range	17.87	21.68	-3.81
Worst 4 Qtrs	-8.08	-12.76	4.67
Standard Deviation	7.84	9.15	-1.31
Beta	0.85	1.00	-0.15
Alpha	1.40	0.00	1.40
R-Squared	98.05	100.00	-1.95
Sharpe Ratio	0.73	0.55	0.19
Treynor Ratio	6.81	5.01	1.80
Tracking Error	1.78	0.00	1.78
Information Ratio	0.32		

Past performance is not a guarantee of future results.

**PRINCIPAL LARGE CAP STOCK INDEX
RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	3.00	3.00	0.00
Positive Periods	9.00	9.00	0.00
Batting Average	25.00	75.00	-50.00
Worst Qtr	-2.12	-2.15	0.03
Best Qtr	9.21	9.23	-0.02
Range	11.33	11.39	-0.06
Worst 4 Qtrs	4.92	4.90	0.02
Standard Deviation	7.05	7.10	-0.05
Beta	0.99	1.00	-0.01
Alpha	-0.10	0.00	-0.10
R-Squared	99.99	100.00	-0.01
Sharpe Ratio	1.09	1.10	-0.01
Treynor Ratio	7.71	7.82	-0.11
Tracking Error	0.08	0.00	0.08
Information Ratio	-1.74		

5 Yr	Fund	Policy	Diff
Negative Periods	5.00	5.00	0.00
Positive Periods	15.00	15.00	0.00
Batting Average	25.00	75.00	-50.00
Worst Qtr	-17.27	-17.28	0.01
Best Qtr	15.36	15.40	-0.04
Range	32.63	32.68	-0.05
Worst 4 Qtrs	0.20	0.25	-0.05
Standard Deviation	13.16	13.19	-0.04
Beta	1.00	1.00	0.00
Alpha	-0.10	0.00	-0.10
R-Squared	100.00	100.00	0.00
Sharpe Ratio	0.59	0.60	-0.01
Treynor Ratio	7.84	7.95	-0.11
Tracking Error	0.07	0.00	0.07
Information Ratio	-1.63		

7 Yr	Fund	Policy	Diff
Negative Periods	10.00	10.00	0.00
Positive Periods	18.00	18.00	0.00
Batting Average	35.71	64.29	-28.57
Worst Qtr	-17.27	-17.28	0.01
Best Qtr	15.36	15.40	-0.04
Range	32.63	32.68	-0.05
Worst 4 Qtrs	-26.58	-26.62	0.04
Standard Deviation	15.77	15.82	-0.05
Beta	1.00	1.00	0.00
Alpha	-0.07	0.00	-0.07
R-Squared	100.00	100.00	0.00
Sharpe Ratio	-0.06	-0.05	0.00
Treynor Ratio	-0.89	-0.82	-0.07
Tracking Error	0.11	0.00	0.11
Information Ratio	-0.65		

Incept	Fund	Policy	Diff
Negative Periods	13.00	13.00	0.00
Positive Periods	37.00	37.00	0.00
Batting Average	64.00	36.00	28.00
Worst Qtr	-17.27	-17.28	0.01
Best Qtr	21.37	21.30	0.07
Range	38.64	38.57	0.07
Worst 4 Qtrs	-26.58	-26.62	0.04
Standard Deviation	15.92	15.92	-0.01
Beta	1.00	1.00	0.00
Alpha	0.10	0.00	0.10
R-Squared	99.99	100.00	-0.01
Sharpe Ratio	0.50	0.50	0.01
Treynor Ratio	8.02	7.92	0.11
Tracking Error	0.12	0.00	0.12
Information Ratio	0.73		

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**PRINCIPAL INTERNATIONAL STOCK
 RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	1.00	3.00	-2.00
Positive Periods	11.00	9.00	2.00
Batting Average	75.00	25.00	50.00
Worst Qtr	-0.08	-1.01	0.92
Best Qtr	15.94	15.32	0.62
Range	16.02	16.33	-0.30
Worst 4 Qtrs	18.47	13.54	4.94
Standard Deviation	11.11	9.94	1.17
Beta	1.07	1.00	0.07
Alpha	4.37	0.00	4.37
R-Squared	91.35	100.00	-8.65
Sharpe Ratio	2.25	1.85	0.40
Treynor Ratio	23.23	18.39	4.84
Tracking Error	3.36	0.00	3.36
Information Ratio	1.70		

5 Yr	Fund	Policy	Diff
Negative Periods	4.00	5.00	-1.00
Positive Periods	16.00	15.00	1.00
Batting Average	65.00	35.00	30.00
Worst Qtr	-18.28	-19.73	1.45
Best Qtr	17.86	19.27	-1.41
Range	36.14	39.01	-2.87
Worst 4 Qtrs	-5.53	-6.45	0.91
Standard Deviation	17.17	17.11	0.06
Beta	0.98	1.00	-0.02
Alpha	3.18	0.00	3.18
R-Squared	95.98	100.00	-4.02
Sharpe Ratio	1.06	0.88	0.19
Treynor Ratio	18.64	14.98	3.66
Tracking Error	3.44	0.00	3.44
Information Ratio	0.83		

7 Yr	Fund	Policy	Diff
Negative Periods	9.00	11.00	-2.00
Positive Periods	19.00	17.00	2.00
Batting Average	64.29	35.71	28.57
Worst Qtr	-18.28	-19.73	1.45
Best Qtr	17.86	19.27	-1.41
Range	36.14	39.01	-2.87
Worst 4 Qtrs	-21.00	-28.54	7.54
Standard Deviation	17.49	18.02	-0.53
Beta	0.89	1.00	-0.11
Alpha	5.63	0.00	5.63
R-Squared	85.18	100.00	-14.82
Sharpe Ratio	0.52	0.20	0.32
Treynor Ratio	10.27	3.61	6.65
Tracking Error	7.04	0.00	7.04
Information Ratio	0.70		

Incept	Fund	Policy	Diff
Negative Periods	14.00	18.00	-4.00
Positive Periods	36.00	32.00	4.00
Batting Average	64.00	36.00	28.00
Worst Qtr	-18.28	-19.73	1.45
Best Qtr	17.86	20.65	-2.79
Range	36.14	40.38	-4.24
Worst 4 Qtrs	-21.00	-28.54	7.54
Standard Deviation	16.40	16.88	-0.48
Beta	0.88	1.00	-0.12
Alpha	6.29	0.00	6.29
R-Squared	83.54	100.00	-16.46
Sharpe Ratio	0.65	0.26	0.38
Treynor Ratio	12.04	4.47	7.58
Tracking Error	6.95	0.00	6.95
Information Ratio	0.79		

Past performance is not a guarantee of future results.

**PRINCIPAL BOND AND MORTGAGE
RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	5.00	5.00	0.00
Positive Periods	7.00	7.00	0.00
Batting Average	75.00	25.00	50.00
Worst Qtr	-0.86	-0.68	-0.19
Best Qtr	3.91	3.81	0.10
Range	4.77	4.48	0.29
Worst 4 Qtrs	-0.04	-0.81	0.77
Standard Deviation	3.11	3.08	0.03
Beta	1.01	1.00	0.01
Alpha	0.54	0.00	0.54
R-Squared	98.27	100.00	-1.73
Sharpe Ratio	0.22	0.04	0.18
Treynor Ratio	0.67	0.12	0.55
Tracking Error	0.43	0.00	0.43
Information Ratio	1.24		

5 Yr	Fund	Policy	Diff
Negative Periods	6.00	7.00	-1.00
Positive Periods	14.00	13.00	1.00
Batting Average	80.00	20.00	60.00
Worst Qtr	-2.12	-2.44	0.32
Best Qtr	4.57	4.59	-0.02
Range	6.69	7.02	-0.33
Worst 4 Qtrs	-0.04	-0.81	0.77
Standard Deviation	3.44	3.47	-0.03
Beta	1.00	1.00	0.00
Alpha	0.78	0.00	0.78
R-Squared	98.58	100.00	-1.42
Sharpe Ratio	0.74	0.50	0.24
Treynor Ratio	2.54	1.73	0.82
Tracking Error	0.44	0.00	0.44
Information Ratio	1.79		

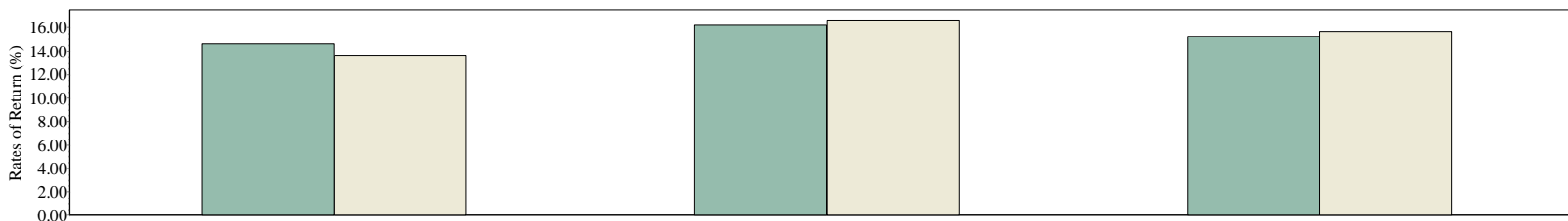
7 Yr	Fund	Policy	Diff
Negative Periods	7.00	7.00	0.00
Positive Periods	21.00	21.00	0.00
Batting Average	78.57	21.43	57.14
Worst Qtr	-2.12	-2.44	0.32
Best Qtr	4.74	4.62	0.12
Range	6.86	7.05	-0.19
Worst 4 Qtrs	-0.04	-0.81	0.77
Standard Deviation	3.67	3.67	-0.01
Beta	1.00	1.00	0.00
Alpha	0.70	0.00	0.70
R-Squared	98.38	100.00	-1.62
Sharpe Ratio	1.02	0.82	0.20
Treynor Ratio	3.76	3.02	0.74
Tracking Error	0.47	0.00	0.47
Information Ratio	1.47		

Incept	Fund	Policy	Diff
Negative Periods	9.00	12.00	-3.00
Positive Periods	41.00	38.00	3.00
Batting Average	82.00	18.00	64.00
Worst Qtr	-2.12	-2.44	0.32
Best Qtr	6.51	6.09	0.42
Range	8.63	8.53	0.10
Worst 4 Qtrs	-0.04	-0.83	0.79
Standard Deviation	3.84	3.86	-0.02
Beta	0.98	1.00	-0.02
Alpha	0.97	0.00	0.97
R-Squared	98.12	100.00	-1.88
Sharpe Ratio	0.99	0.73	0.26
Treynor Ratio	3.87	2.83	1.04
Tracking Error	0.52	0.00	0.52
Information Ratio	1.78		

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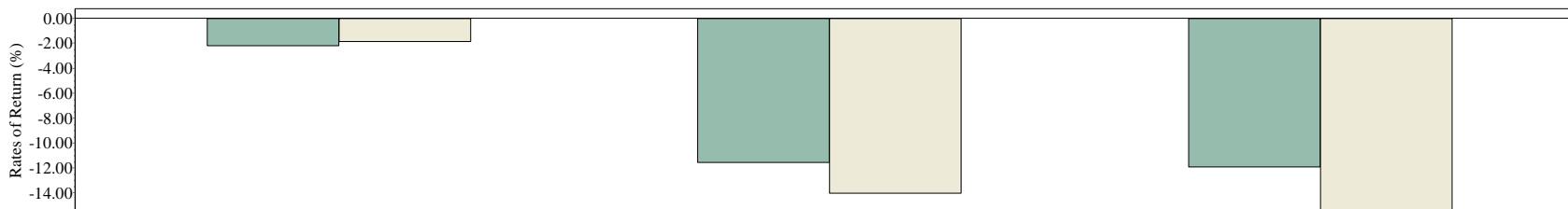
COMPOSITE TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS

Performance in Rising Markets



	3 Yr	5 Yr	Inception
TOTAL FUND	14.62	16.20	15.26
POLICY INDEX	13.61	16.64	15.68
Difference	1.00	-0.44	-0.42
Ratio	1.07	0.97	0.97
Up Periods	10	16	17

Performance in Declining Markets

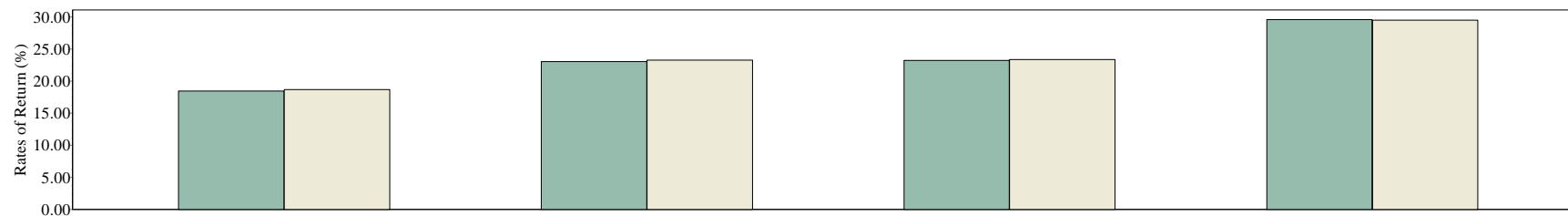


	3 Yr	5 Yr	Inception
TOTAL FUND	-2.18	-11.59	-11.93
POLICY INDEX	-1.86	-14.06	-15.63
Difference	-0.32	2.47	3.69
Ratio	1.17	0.82	0.76
Down Periods	2	4	5

The comparative index for this analysis is the POLICY INDEX.

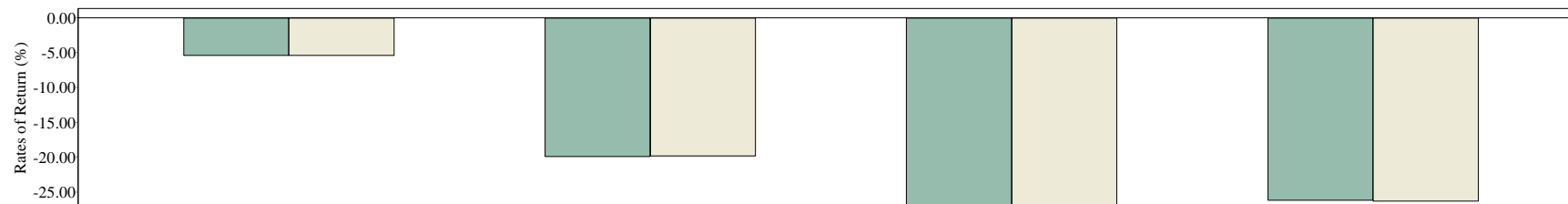
**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS**

Performance in Rising Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	18.53	23.12	23.24	29.63
S&P 500	18.73	23.30	23.41	29.55
Difference	-0.21	-0.18	-0.17	0.09
Ratio	0.99	0.99	0.99	1.00
Up Periods	9	15	18	37

Performance in Declining Markets

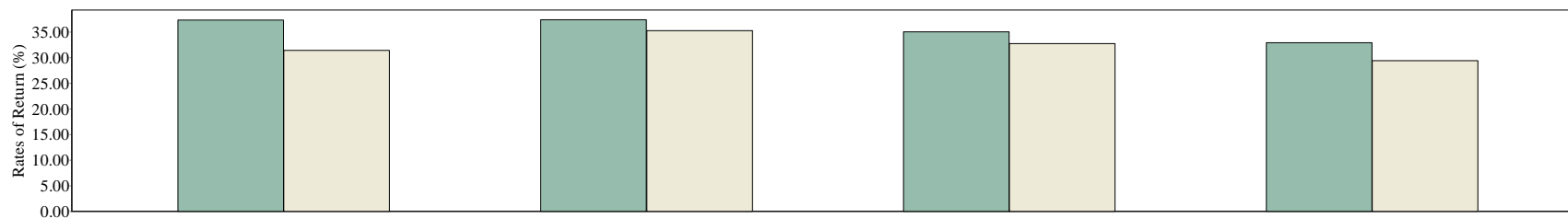


	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	-5.39	-19.89	-27.23	-26.21
S&P 500	-5.37	-19.87	-27.29	-26.33
Difference	-0.02	-0.02	0.06	0.12
Ratio	1.00	1.00	1.00	1.00
Down Periods	3	5	10	13

The comparative index for this analysis is the S&P 500.

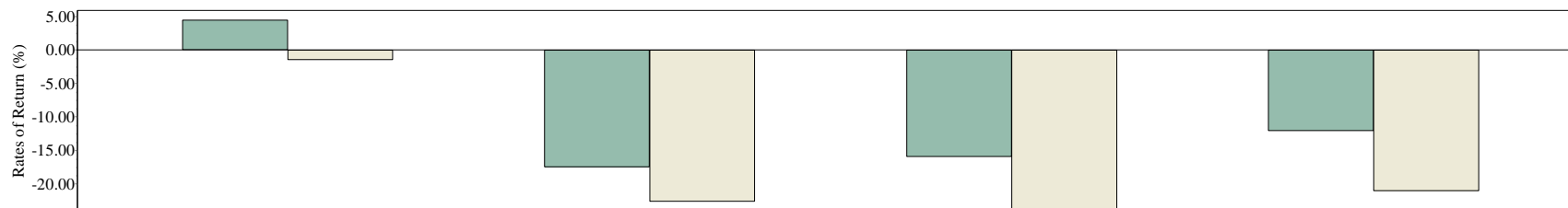
**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS**

Performance in Rising Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	37.47	37.52	35.16	33.01
MSCI NET EAFE	31.56	35.39	32.90	29.56
Difference	5.92	2.13	2.26	3.46
Ratio	1.19	1.06	1.07	1.12
Up Periods	9	15	17	32

Performance in Declining Markets

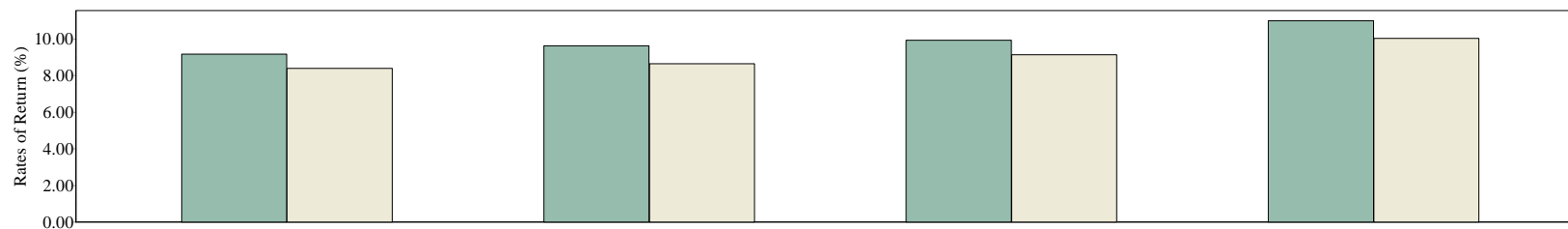


	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	4.47	-17.48	-15.96	-12.08
MSCI NET EAFE	-1.45	-22.59	-24.19	-21.02
Difference	5.92	5.10	8.23	8.94
Ratio	-3.09	0.77	0.66	0.57
Down Periods	3	5	11	18

The comparative index for this analysis is the MSCI NET EAFE.

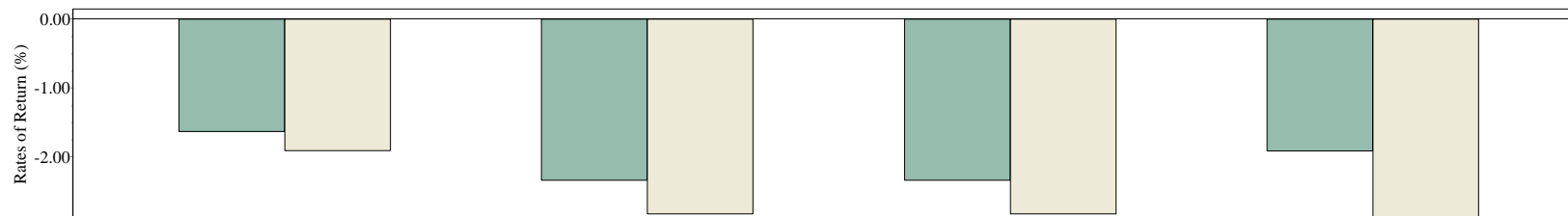
**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS**

Performance in Rising Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	9.17	9.65	9.94	11.00
LB AGGREGATE BOND	8.40	8.64	9.13	10.04
Difference	0.78	1.00	0.81	0.96
Ratio	1.09	1.12	1.09	1.10
Up Periods	7	13	21	38

Performance in Declining Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	-1.64	-2.34	-2.34	-1.92
LB AGGREGATE BOND	-1.91	-2.83	-2.83	-2.92
Difference	0.27	0.49	0.49	1.00
Ratio	0.86	0.83	0.83	0.66
Down Periods	5	7	7	12

The comparative index for this analysis is the LB AGGREGATE BOND.

**COMPOSITE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						POLICY INDEX			
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE	12/2001	QUARTERLY	SEMI	ANNUALLY	SINCE
03/2002	0.28					0.28	0.32			0.32
06/2002	-3.50	*	-3.23	*		-3.23	-5.91	-5.61		-5.61
09/2002	-7.84	*				-10.82	-10.32			-15.36
12/2002	5.39		-2.87	*	-6.01	* -6.01	5.88	-5.05	-10.38	-10.38
03/2003	-1.93	*				-6.31	-2.34			-10.11
06/2003	10.03		7.91			0.95	11.35	8.74		-1.70
09/2003	1.36					1.59	2.51			-0.06
12/2003	7.79		9.26		17.89	5.27	8.65	11.38	21.12	4.19
03/2004	2.56	*				5.85	2.43			4.83
06/2004	-0.23		2.32			5.15	0.03	2.46		4.34
09/2004	0.45	*				4.84	0.14			3.99
12/2004	6.74		7.22		9.71	6.73	7.18	7.33	9.97	6.08
03/2005	-1.31					5.76	-1.25			5.19
06/2005	1.99	*	0.65	*		5.94	1.60	0.33		5.29
09/2005	3.53	*				6.51	3.11			5.79
12/2005	2.14	*	5.74	*	6.43	* 6.65	1.88	5.05	5.40	5.91
03/2006	3.59	*				7.14	3.26			6.35
06/2006	-0.88		2.67	*		6.52	-0.62	2.62		5.84
09/2006	4.64					7.18	4.76			6.56
12/2006	5.79	*	10.69	*	13.65	* 8.02	5.30	10.31	13.20	7.33
03/2007	1.36					7.90	1.47			7.27
06/2007	4.65	*	6.07	*		8.42	3.90	5.43		7.67

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE POLICY INDEX.

**COMPOSITE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

01/31/1995 - PRESENT

50%	S&P 500
35%	LB AGGREGATE BOND
15%	MSCI NET EAFE

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE POLICY INDEX.

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT					S&P 500				
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE	QUARTERLY	SEMI	ANNUALLY	SINCE	
					12/1994				12/1994	
03/1995	9.80	*			9.80	9.74			9.74	
06/1995	9.62	*	20.36	*	20.36	9.55	20.21		20.21	
09/1995	8.01	*			30.00	7.95			29.77	
12/1995	6.11	*	14.61	*	37.95	6.02	14.45	37.58	37.58	
03/1996	5.40	*			34.91	5.37			34.59	
06/1996	4.58	*	10.23	*	32.23	4.49	10.10		31.89	
09/1996	3.17	*			29.34	3.09			29.00	
12/1996	8.42	*	11.86	*	30.42	8.34	11.68	22.96	30.06	
03/1997	2.77	*			28.17	2.68			27.81	
06/1997	17.49	*	20.74	*	33.36	17.46	20.61		33.01	
09/1997	7.58	*			33.41	7.49			33.05	
12/1997	2.96	*	10.76	*	31.52	2.87	10.58	33.36	31.15	
03/1998	14.01	*			34.07	13.95			33.71	
06/1998	3.37	*	17.85	*	32.54	3.31	17.72		32.19	
09/1998	-9.83	*			26.54	-9.95			26.18	
12/1998	21.37	*	9.44	*	30.88	21.30	9.23	28.58	30.51	
03/1999	5.04	*			30.32	4.98			29.96	
06/1999	7.12	*	12.52	*	30.39	7.05	12.38		30.03	
09/1999	-6.15	*			26.88	-6.25			26.52	
12/1999	14.97	*	7.90	*	28.93	14.88	7.70	21.04	28.56	
03/2000	2.34	*			27.94	2.29			27.58	
06/2000	-2.58	*	-0.30	*	25.91	-2.66	-0.42		25.56	
09/2000	-0.92	*			24.46	-0.97			24.11	
12/2000	-7.71	*	-8.56	*	21.69	-7.83	-8.72	-9.11	21.34	
03/2001	-11.90				18.31	-11.86			18.00	
06/2001	5.73		-6.85		18.56	5.86	-6.69		18.28	
09/2001	-14.59	*			15.10	-14.68			14.81	

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE S&P 500.

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						S&P 500				
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY		SINCE	QUARTERLY	SEMI	ANNUALLY	SINCE	
						12/1994					12/1994
12/2001	10.74	*	-5.42	*	-11.90	16.20	*	10.69	-5.56	-11.88	15.92
03/2002	0.25					15.64	*	0.27			15.37
06/2002	-13.39	*	-13.17			12.90	*	-13.40	-13.16		12.64
09/2002	-17.27	*				9.74	*	-17.28			9.50
12/2002	8.42		-10.30		-22.12	10.53	*	8.43	-10.30	-22.11	10.30
03/2003	-3.16					9.77	*	-3.15			9.55
06/2003	15.36		11.71			11.33	*	15.40	11.77		11.11
09/2003	2.63					11.31	*	2.64			11.11
12/2003	12.10		15.05		28.53	12.40	*	12.18	15.14	28.69	12.21
03/2004	1.67					12.25	*	1.70			12.06
06/2004	1.72	*	3.42			12.11	*	1.71	3.44		11.93
09/2004	-1.87	*				11.56	*	-1.87			11.39
12/2004	9.21		7.17		10.83	12.24	*	9.23	7.19	10.87	12.07
03/2005	-2.12	*				11.69	*	-2.15			11.52
06/2005	1.37	*	-0.78	*		11.54	*	1.36	-0.82		11.38
09/2005	3.59					11.63	*	3.61			11.47
12/2005	2.08		5.74		4.92	11.56	*	2.09	5.77	4.90	11.40
03/2006	4.11					11.69	*	4.21			11.54
06/2006	-1.50		2.55			11.27	*	-1.44	2.71		11.14
09/2006	5.60					11.53	*	5.67			11.41
12/2006	6.60		12.57		15.44	11.87	*	6.70	12.74	15.80	11.76
03/2007	0.61					11.67	*	0.64			11.56
06/2007	6.20		6.84			11.97	*	6.28	6.96		11.86

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE S&P 500.

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

12/31/1994 - PRESENT
100% S&P 500

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE S&P 500.

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT					MSCI NET EAFE				
	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994
03/1995	-0.66				-0.66	1.87				1.87
06/1995	9.50	*	8.78	*	8.78	0.73	2.61			2.61
09/1995	5.14	*			14.37	4.18				6.90
12/1995	1.88		7.12		16.52	4.05	8.39	11.22		11.22
03/1996	8.60	*			20.72	2.89				11.39
06/1996	4.19	*	13.15	*	20.24	1.59	4.52			10.56
09/1996	3.20	*			19.24	-0.12				8.91
12/1996	8.40	*	11.87	*	21.45	1.59	1.47	6.06		8.61
03/1997	3.66	*			20.77	-1.56				6.87
06/1997	10.83		14.89	*	23.48	12.97	11.21			11.47
09/1997	5.70	*			23.61	-0.70				10.09
12/1997	-5.72	*	-0.35	*	19.08	-7.84	-8.48	1.77		6.28
03/1998	15.53	*			22.83	14.71				10.35
06/1998	-0.26		15.23		20.95	1.07	15.94			9.91
09/1998	-17.09				13.60	-14.22				4.84
12/1998	17.71		-2.41		17.39	20.65	3.49	19.99		9.55
03/1999	3.22	*			17.16	1.39				9.32
06/1999	2.95	*	6.26	*	16.88	2.54	3.96			9.39
09/1999	2.66				16.57	4.39				9.86
12/1999	16.21		19.30		19.21	16.99	22.13	26.97		12.83
03/2000	3.60	*			19.01	-0.10				12.16
06/2000	-1.33	*	2.22	*	17.79	-3.96	-4.06			10.76
09/2000	-9.24				15.00	-8.06				8.67
12/2000	0.83	*	-8.49	*	14.49	-2.69	-10.53	-14.16		7.81
03/2001	3.60	*			14.52	-13.71				4.98
06/2001	-0.75	*	2.82	*	13.79	-1.05	-14.61			4.61
09/2001	-15.01				10.55	-14.00				2.13

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE MSCI NET EAFE.

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT							MSCI NET EAFE				
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	ANNUALLY	ANNUALLY	SINCE	QUARTERLY	SEMI	ANNUALLY	SINCE	
							12/1994				12/1994	
12/2001	9.47	*	-6.96	*	-4.33	*	11.59	*	6.98	-7.99	-21.44	3.04
03/2002	-0.48						11.09	*	0.51			3.01
06/2002	-1.43	*	-1.90				10.49	*	-2.12	-1.62		2.61
09/2002	-18.28	*					7.31	*	-19.73			-0.34
12/2002	6.47	*	-12.99	*	-14.65	*	7.91	*	6.45	-14.56	-15.94	0.45
03/2003	-7.88	*					6.60	*	-8.20			-0.60
06/2003	17.86		8.57				8.47	*	19.27	9.49		1.50
09/2003	5.62						8.90	*	8.12			2.37
12/2003	17.72	*	24.34		34.99		10.63	*	17.08	26.59	38.60	4.11
03/2004	4.24						10.82	*	4.34			4.48
06/2004	-0.77		3.44				10.44	*	0.22	4.56		4.38
09/2004	1.89	*					10.37	*	-0.28			4.23
12/2004	15.94	*	18.13	*	22.19	*	11.74	*	15.32	15.00	20.24	5.62
03/2005	0.90	*					11.53	*	-0.17			5.46
06/2005	1.62	*	2.53	*			11.41	*	-1.01	-1.17		5.23
09/2005	15.34	*					12.62	*	10.38			6.07
12/2005	6.01	*	22.27	*	25.37	*	12.91	*	4.08	14.88	13.54	6.32
03/2006	11.91	*					13.74	*	9.40			7.02
06/2006	-0.08		11.81	*			13.41	*	0.70	10.16		6.93
09/2006	2.63						13.36	*	3.93			7.13
12/2006	11.51	*	14.44		27.96	*	14.09	*	10.35	14.69	26.34	7.86
03/2007	3.61						14.12	*	4.08			8.04
06/2007	8.88	*	12.81	*			14.59	*	6.40	10.74		8.41

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE MSCI NET EAFE.

PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND TIME WEIGHTED RATES OF RETURN

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

12/31/1994 - PRESENT

100% MSCI NET EAFE

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE MSCI NET EAFE.

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						LB AGGREGATE BOND			
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE	12/1994	QUARTERLY	SEMI	ANNUALLY	SINCE
03/1995	5.28	*			5.28	*	5.04			5.04
06/1995	6.51	*	12.13	*	12.13	*	6.09	11.44		11.44
09/1995	2.05	*			14.43	*	1.96			13.63
12/1995	4.65	*	6.80	*	19.75	*	4.26	6.31	18.47	18.47
03/1996	-1.26	*			14.35	*	-1.77			12.89
06/1996	0.66	*	-0.61	*	12.31	*	0.57	-1.21		11.06
09/1996	2.34	*			11.93	*	1.85			10.55
12/1996	3.37	*	5.79	*	12.21	*	3.00	4.90	3.63	10.80
03/1997	0.07	*			10.82	*	-0.56			9.27
06/1997	4.35	*	4.42	*	11.57	*	3.68	3.10		9.89
09/1997	3.69	*			11.93	*	3.33			10.26
12/1997	2.92		6.72	*	11.44	*	2.95	6.38	9.68	10.43
03/1998	1.96	*			11.65	*	1.54			10.10
06/1998	2.52	*	4.53	*	11.57	*	2.34	3.92		10.07
09/1998	3.83				11.87	*	4.23			10.59
12/1998	0.64	*	4.49		9.23	*	0.34	4.58	8.67	9.99
03/1999	0.39	*			10.67	*	-0.51			9.24
06/1999	-0.89		-0.50	*	9.83	*	-0.88	-1.38		8.49
09/1999	1.07	*			9.53	*	0.68			8.18
12/1999	0.04	*	1.11	*	0.60	*	-0.12	0.56	-0.83	7.73
03/2000	2.64	*			9.14	*	2.21			7.80
06/2000	1.82	*	4.51	*	9.06	*	1.73	3.98		7.77
09/2000	3.43	*			9.29	*	3.02			7.97
12/2000	4.62	*	8.21	*	13.09	*	4.21	7.36	11.63	8.37
03/2001	2.64				9.76	*	3.03			8.54
06/2001	0.91	*	3.57		9.52	*	0.56	3.60		8.29
09/2001	4.74	*			9.90	*	4.62			8.70

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE LB AGGREGATE BOND.

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT					LB AGGREGATE BOND				
	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994
12/2001	-0.09	4.65	8.39		9.52 *	0.04	4.65	8.42		8.38
03/2002	0.17 *				9.20 *	0.10				8.09
06/2002	3.76 *	3.94 *			9.42 *	3.70	3.80			8.34
09/2002	4.57				9.73 *	4.59				8.69
12/2002	1.67 *	6.32 *	10.50 *		9.64 *	1.57	6.23	10.27		8.61
03/2003	1.72 *				9.56 *	1.39				8.52
06/2003	2.92 *	4.69 *			9.64 *	2.50	3.92			8.58
09/2003	0.06 *				9.36 *	-0.14				8.30
12/2003	0.96 *	1.02 *	5.76 *		9.20 *	0.32	0.18	4.11		8.10
03/2004	2.95 *				9.29 *	2.65				8.18
06/2004	-2.12 *	0.77 *			8.79 *	-2.44	0.15			7.68
09/2004	3.42 *				8.93 *	3.20				7.82
12/2004	1.33 *	4.80 *	5.60 *		8.84 *	0.95	4.18	4.34		7.72
03/2005	-0.36 *				8.57 *	-0.48				7.48
06/2005	2.96	2.59 *			8.66 *	3.01	2.52			7.60
09/2005	-0.16 *				8.44 *	-0.68				7.34
12/2005	0.80 *	0.64 *	3.24 *		8.32 *	0.59	-0.09	2.43		7.23
03/2006	-0.48 *				8.08 *	-0.64				7.00
06/2006	-0.19	-0.67 *			7.88 *	-0.08	-0.72			6.84
09/2006	3.91 *				8.06 *	3.81				7.03
12/2006	1.53 *	5.50 *	4.79 *		8.02 *	1.24	5.09	4.33		6.98
03/2007	1.62 *				7.99 *	1.50				6.97
06/2007	-0.86	0.74			7.75 *	-0.52	0.97			6.78

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE LB AGGREGATE BOND.

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

12/31/1994 - PRESENT
100% LB AGGREGATE BOND

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE LB AGGREGATE BOND.

**COMPOSITE
TOTAL FUND POLICY INDEX**

TOTAL FUND BENCHMARK

01/31/1995 - Present

50%	S&P 500
35%	LB AGGREGATE BOND
15%	MSCI NET EAFE

COMPOSITE RISK MEASURES REPORT EXPLANATION

The evaluation of a fund's performance should extend beyond return to encompass measures of risk. The following page is used to determine the level of risk to which the fund has been exposed, and whether the return has been commensurate with the risk taken. All measures are calculated for both the fund and the policy as well as the difference between the two. Up to four time periods are evaluated depending on the age of the fund.

Of Negative Qtrs/# Of Positive Qtrs: Number of negative quarters shows the number of quarters in which the return was less than zero, and the number of positive quarters is the number of quarterly returns which were greater or equal to zero.

Batting Average: The batting average is a measure of consistency. It shows the percent of the quarters the fund has beaten the policy and the percent of the quarters the policy has beat the fund. A high average for the fund (e.g. over 50) is desirable, indicating the fund has beaten the policy frequently.

Worst Quarter/Best Quarter/Range: The worst quarter is the lowest quarterly return experienced during the period, a measure of downside risk. The best quarter is the highest quarterly return, and the range is the difference of the high and low, and indicates dispersion.

Worst 4 Quarters: The four consecutive quarters during which the portfolio realized its worst cumulative performance since its inception.

Standard Deviation: Standard deviation measures the total volatility of the fund, by measuring dispersion. Higher standard deviation indicates higher risk. If the quarterly or monthly returns are all the same the standard deviation will be zero. The more they vary from one another, the higher the standard deviation. Thus, it measures uncertainty, which is a measure of risk.

Alpha/Beta/R-Squared: If the policy is appropriate, then the alpha should be positive, the beta close to one, and the r-squared should be high. Beta measures risk relative to the policy. A beta of 1 suggests risk equivalent to the policy. Higher betas indicate higher relative risk. A beta of 1.2 indicates 20% more risk than the policy. The alpha measures the return adjusting for beta. The higher the alpha, the better. R-squared measures the relationship between the policy and the fund. A high r-squared means the returns of the fund can largely be explained by movements of the policy. The higher the r-squared, the more reliable the alpha and the beta. R-squared may range from 0 to 100. Beta, alpha and r-squared are derived from regression analysis using the fund and policy returns as the dependent and independent variables respectively. Roughly, one would expect the fund's performance to equal the return of the policy multiplied by the beta plus the alpha.

Sharpe Ratio/Treynor Ratio: The Sharpe and Treynor ratios are similar. The Sharpe ratio is the excess return per unit of total risk as measured by standard deviation. The Treynor ratio is the excess return per unit of market risk as measured by beta. Both of these should be compared against the corresponding value for the policy. Higher numbers are better, indicating more return for the level of risk that was experienced.

Tracking Error/Information Ratio: Tracking error is the standard deviation of the portfolio's residual (i.e., excess) returns. The lower the tracking error, the closer the portfolio returns have been to its risk index. Aggressively managed portfolios would be expected to have higher tracking errors than portfolios with a more conservative investment style. The information ratio is equal to the annualized excess return of the portfolio divided by the standard deviation of its annualized excess returns (i.e., the tracking error). The statistic can be used to compare added value of more than one portfolio – a low relative return and low tracking risk portfolio can have the same value added as a portfolio with high relative return and high tracking risk. The information ratio is a measure of the efficiency with which the excess returns have been generated. Since the information ratio is a determination of the value added vis-à-vis the risk benchmark, the higher the ratio, the better.